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ECONOMIC INTELLIGENCE WEEKLY REVIEW

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Articles

WESTERN EUROPE: SMALL COUNTRIES ON FRINGE OF EMS * DEBATE

The small West European countries have had little voice in decisions regarding the structure and mechanics of the proposed European Monetary System (EMS), and the majority have little practical choice about whether or not to join. Those in the European Community (EC) have generally lined up with their bigger neighbors on the various EMS issues: Ireland with the United Kingdom; Belgium-Luxembourg with France; and the Netherlands and Denmark with West Germany. The Benelux nations and Denmark along with Norway already are members of the European currency snake and will continue to link their currencies to the deutsche mark regardless of whether EMS comes into being. The Irish surely will join EMS if the United Kingdom does and may elect to go in even if the United Kingdom does not.

Sweden, which dropped out of the snake in August 1977, already has been asked by the Community to join EMS. The Swedes along with the Swiss and Austrians, who have long tried to keep their economic policies in tune with those of West Germany, are taking a wait-and-see attitude. Even if EMS proves workable, the Swiss may have a long wait, as France does not want the buoyant Swiss franc in the system.

The potential new members of the European Community—Greece, Spain, and Portugal— are even further removed from the debate over EMS. Only Greece, which is not expected to join the EC until 1981, has publicly endorsed EMS, declaring it would be willing to align the drachma with other Community currencies.

Present Snake Members Already In

Since the present snake will not be disbanded, all the EC members of the snake—West Germany, Denmark, Belgium, Luxembourg, and the Netherlands—

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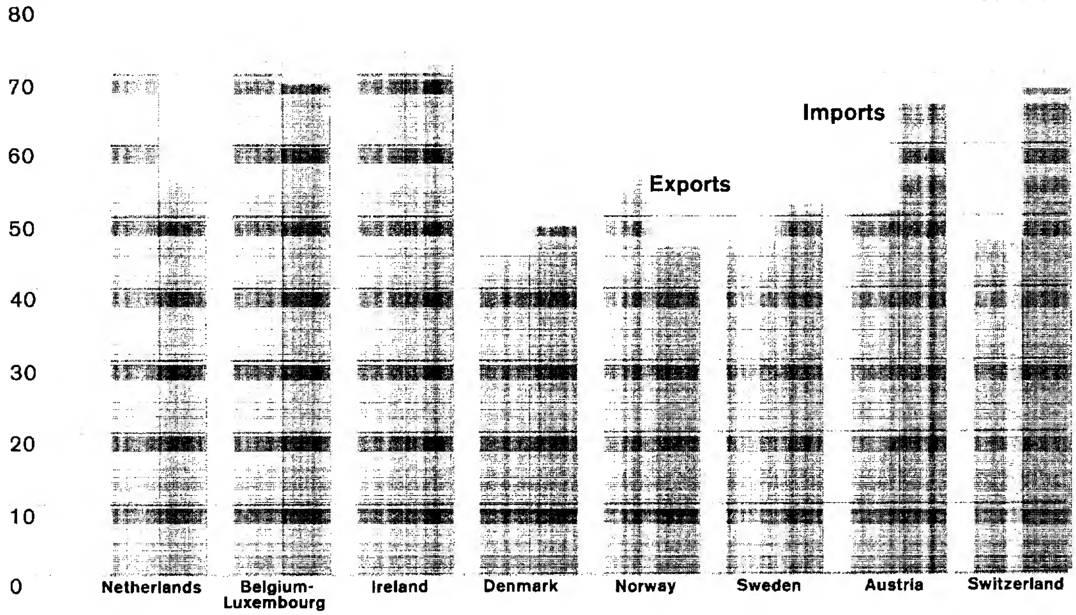
Small EMS Candidates: Share of Trade With EC

Percent



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would certainly become EMS members. Norway, the one non-EC snake participant, presumably would remain in the snake and almost certainly would be offered associate status in EMS. While all the snake members support EMS, the small countries were piqued by West German and French failure to consult them prior to proposing the EMS initiative at the Bremen EC summit last July.

The Dutch and Danes have closely aligned themselves with the West German position on the mechanics of the system. Both firmly support the parity grid arrangement for determining intervention and oppose using the basket indicator to trigger anything more than consultations. Both presumably fear that reliance on the currency basket arrangement might accelerate West German inflation. While this would improve their competitive positions vis-a-vis West Germany, it would raise the cost of imports from their most important supplier and accelerate inflation at home.

The Dutch have lined up behind the West Germans on the issue of new credit facilities for intervention and balance-of-payments support. Dutch finance minister Frans Andriessen has called for stringent limits on access to credit by countries with weak currencies to prevent maintenance of unrealistic exchange rates and thus a delay

in economic policy adjustments by weak currency countries. Andriessen believes EMS can be successful only if EMS members gear their economic policies more closely to West German policy. The Danes have been quiet on the credit issue, probably because they have been to the snake's credit window a number of times in attempts to support the krone.

Belgium, which has close political and economic ties to both France and West Germany, has tried to mediate Franco-German differences on technical issues. As architects of the so-called Belgian compromise, the Belgians managed to blend French desires for using the currency basket approach to intervention with West German insistence on the parity grid. Like the French, they believe that the basket indicator should trigger "presumptive" action by the country with a divergent currency before its currency reaches the intervention limits of the parity grid. Under this formula a country would not be required to intervene, but would be expected to explain why it did not intervene and indicate other measures it might take. Luxembourg has shadowed the Belgian position.

As a non-EC member, Norway has been merely an interested onlooker to the EMS negotiations. Prime Minister Odvar Nordli will meet with West German Chancellor Schmidt in late November to discuss the Norwegian role in EMS. Despite its high rate of inflation, Norway has managed to stay in the snake and presumably will follow the West German lead.

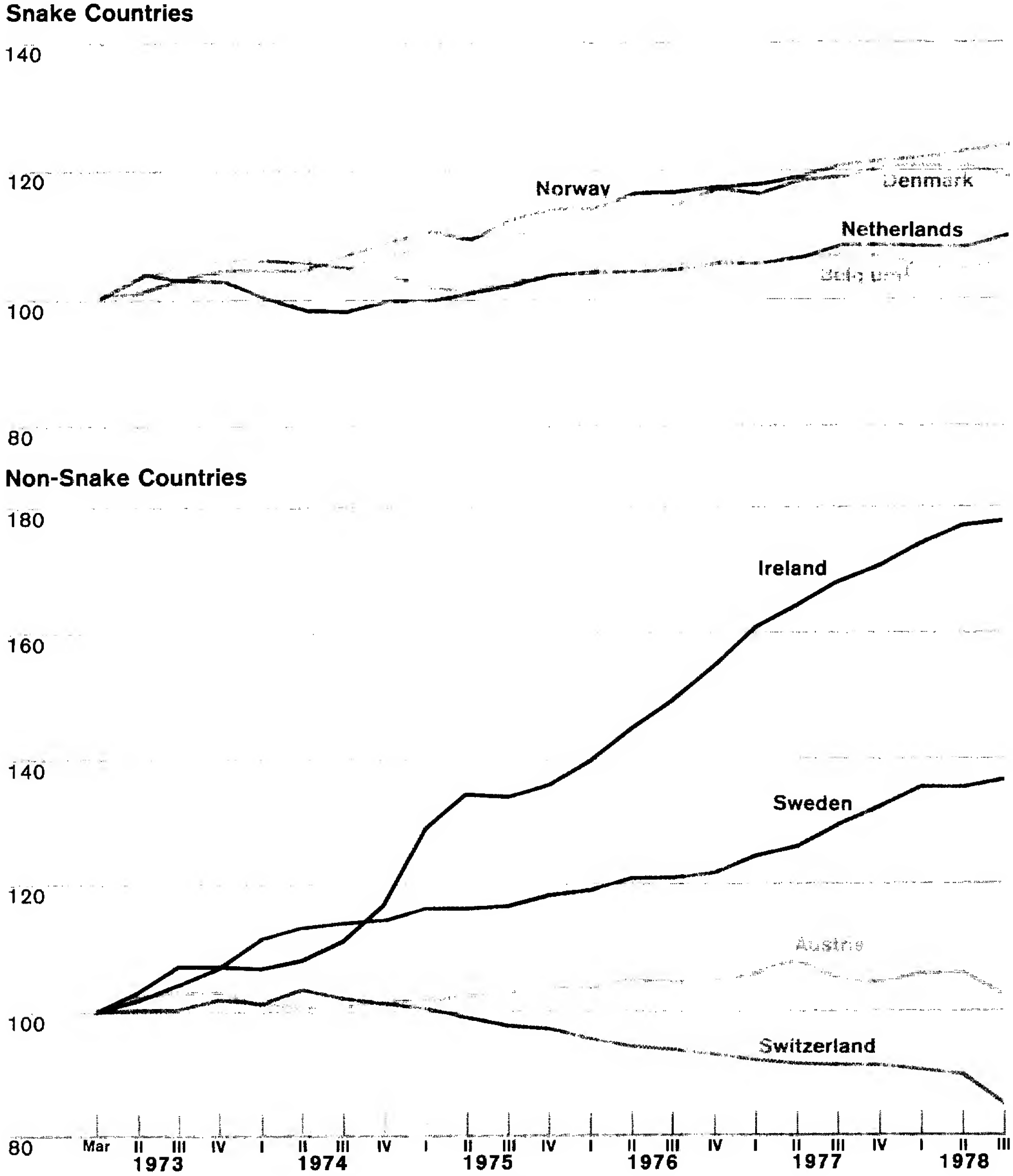
Ireland Wants In, But . . .

The Irish Government strongly favors EMS and will join without hesitation if the United Kingdom participates. In the event Britain does not join immediately, as now seems likely, the Irish will be in a quandary. They must weigh the advantages and disadvantages of breaking the tie between the Irish and British pounds. As spelled out by Finance Minister George Colley, the economic advantages of joining EMS without Britain include a reduction in the rate of inflation, increased investment in Ireland by continental EC firms, greater independence from the United Kingdom in monetary policy, and greater financial aid from the EC.

Colley appears overoptimistic. If the Irish pound were pulled up by participation in EMS as he apparently supposes, foreign investment in Ireland—particularly in export industries—would be less attractive. Moreover, Irish monetary policy would be shaped by pressure to maintain EMS parities. Government officials realize that allowing the Irish pound to appreciate relative to the pound sterling would adversely affect about one-half of Ireland's trade, making Irish goods less competitive in the United Kingdom and increasing competition from British imports, with consequent adverse effects on domestic output, employment, and the balance of payments. In

Small EMS Candidates: Index of Wholesale Manufacture Prices Against West German Prices

March 1973=100



1. Luxembourg is not included in these data.

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addition, Dublin is concerned about the implications for relations with Northern Ireland and Irish unity if the currency link were broken.

Prime Minister Jack Lynch, whose Fianna Fail party was returned to power in a landslide victory in 1977, has frequently said his government would be willing to break the tie with sterling. He doubtlessly hopes the step can be avoided. The government has been accused by opposition parties of glossing over the potential damage from breaking the currency link in its nationalistic fervor to be "free at last of Britain." Although Lynch and his cabinet apparently are ready to accept the financial discipline entailed by membership in EMS, they may delay a decision on whether to join until the United Kingdom makes its final decision.

Others Undecided

Sweden appears to be the first non-EC country approached about joining EMS. Not surprisingly, the Swedish response has been noncommittal; Sweden pulled out of the snake last year as part of an effort to restore sagging exports. Stockholm has since been able to maintain exchange rate stability by pegging the krona to a 15-currency basket representing Sweden's most important trading partners.

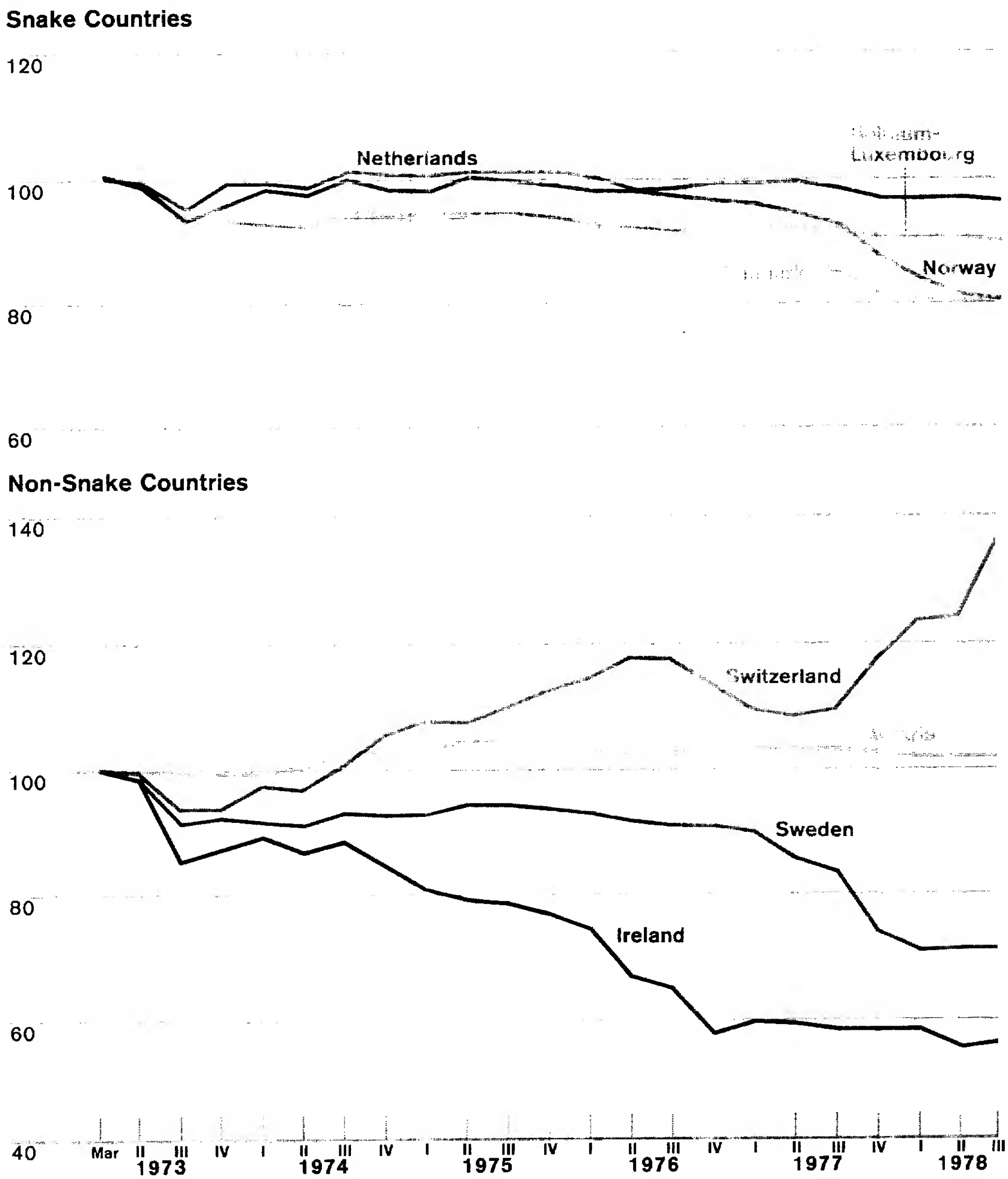
Speaking for Austria, Finance Minister Hannes Androsch has welcomed the proposed EMS as a means of restoring stability to intra-European exchange rates and has offered to cooperate in the effort. He views EMS as a confirmation of Austria's "hard schilling" policy of maintaining a close link with the deutsche mark and can point to a domestic inflation rate of 3.5 percent. The cost has been an erosion of export competitiveness as Austria has been unable to match the West German performance on inflation, wage restraint, and productivity. Austrian officials see three courses of action open to them: (a) allow the schilling to float; (b) link the schilling unofficially with EMS; or (c) join EMS as an associate member, provided that membership would not infringe on Austria's status as a neutral country. Vienna seems in no hurry to make a choice.

Swiss government and central bank officials are skeptical that EMS will work and are in no rush to decide whether to seek membership. They claim that Minister of Economics Fritz Honegger's favorable appraisal in early October of possible Swiss cooperation with EMS was politically motivated and did not accurately reflect government or central bank thinking. A working group under the direction of the Swiss central bank is studying the consequences of Swiss association with EMS; it is not expected to complete its work before yearend.

Swiss exporters may be more inclined to see benefits in associating with EMS, since appreciation of the Swiss franc in relation to the deutsche mark has hampered

Small EMS Candidates: Index of Exchange Rates Against the Deutsche Mark

March 1973=100



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sales to their largest market and has given an edge to their toughest competitor in third countries. Even if Swiss officials eventually decide in favor of EMS, the odds are against Switzerland being allowed to join. Paris rebuffed Bern's attempt to join the snake in 1975 on the grounds that a strong Swiss franc would pull up other member currencies; the French oppose Swiss participation in EMS for the same reason.

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USSR: FLAWED ECONOMIC PERFORMANCE

Ten months through 1978, the Soviet economy is headed for another year of slowing growth. Despite the outlook for a record grain crop this year, growth in GNP probably will fall below the 3½ percent posted in 1977.

- Industrial growth is still sliding and the likely 3.5-percent increase would be the smallest in 30 years.

- Agriculture will register only a small gain this year—a bumper grain harvest being offset by declines in other major crops.

- Construction still is subject to protracted delays.

- Only one-half of the 530 projects scheduled to come on stream during the first half of 1978 actually were commissioned, and only 60 percent of the projects carried over from 1977 were completed in the first six months.

- Primary energy production is running behind last year's pace and is not likely to rise more than 4 percent in 1978.

- Meat shortages still persist, although this year's good grain harvest—coupled with a continued high level of grain imports—should bolster meat production next year. Finding enough meat will remain the chief worry of most households through the winter of 1978/79.

Industry Still Slipping

Growth in industrial output this year will be less than 4 percent and could fall as low as 3.5 percent. Except for gains in steel and electric power output—following last year's exceptionally poor performance—all other branches of industry are running behind the pace posted for the first three quarters of 1977; for some products,

production has declined in absolute terms, notably for coal, timber, generators, freight cars, butter, and selected processed foods.

Output of nonferrous metals and construction materials (particularly cement) gained very little over the first nine months of last year. In the chemical industry, which has been plagued by idle capacity, delays in equipment deliveries, and a shortage of skilled labor, growth has fallen below 5 percent for the first time on record. Growth in civilian machinery production also has slipped this year.

USSR: CIA Estimates of Industrial Growth

Percent

	Jan-Sep [1]	
	1977	1978
Civilian industrial production	4.5	3.5
Primary energy	5	4
Oil	5	4.5
Natural gas	7.5	7.5
Coal	1.5	0
Electric power	3.5	4.5
Ferrous metals	0.5	3
Nonferrous metals	2	0.5
Construction materials	3	1.5
Cement	2.5	0.5
Chemicals	6	4.5
Civilian machinery	7	6.5
Consumer nondurables	4.5	2

[1] January-September over the comparable January-September period.

Farm Picture Mixed

The Soviet farm situation is mixed. A record grain harvest announced this week by Premier Kosygin—"more than 230 million tons"—should provide a boost to livestock feed and ease any immediate need for the Soviets to purchase unusually large quantities of Western grain. On the negative side, an unusually wet season damaged the potato and sugar beet crops and lowered grain quality in some areas. Unless the grain crop is considerably in excess of 230 million tons, we expect the Soviets to purchase on the order of 15 million tons of grain during the current marketing year.

The estimate of import needs is based on plans for expanding the livestock sector, which currently consumes more than one-half the annual grain crop. At midyear, targets for livestock products seemed attainable; however, the nine-month results indicate a slowing in this sector. Hoped for gains in the crucial livestock sector are being impeded by problems in operating large livestock complexes. As a result, growth

in industrial meat production has declined; the 1978 meat goal will remain unfulfilled unless an unprecedented jump in output occurs in the final quarter.

Leadership Perceptions

As it surveys the economy, the Soviet leadership has little to be pleased with and much to be worried about. The poor performance over the past three years already has forced the Politburo to scrap major segments of the current 5-year plan (1976-80) and to settle for short-run solutions to long-term problems, particularly with respect to energy. Moscow clings to the hope that the economy is simply muddling through a difficult transition period in which productivity gains, conservation measures, and new technology will gradually offset declining increments to labor and capital. The attitude that no problem is too great for the Soviet "system" to overcome seems to prevail. Recently Soviet Minister of Foreign Trade Patolichev echoed this theme:

> You know, during the war steel output was only five million tons per year. How was it possible to defeat the Germans? This is where our system works. This is where our system is flexible. . . . I know our Five Year Plans can do miracles. . . . You know, Leonid Brezhnev says "tighten the belts by one notch." Everyone will do it, and the effect will be tremendous.

Temporizing on Policy Choices

No clear strategy has emerged on dealing with the formidable problems that are building in size: declining oil production in the 1980s; a slowdown in capital formation and labor force growth; regional imbalances in labor, plant and equipment, and natural resources; and declining returns to investment.

Moscow has been responding to short-term needs for oil with measures that will hinder a transition to a balanced long-term energy strategy. Since December 1977, the leadership has adopted a crisis management approach. It has rushed more men and equipment into Tyumen Oblast to step up drilling and recovery operations at the giant Samotlor field and to open up a number of smaller fields in Tyumen Oblast—at the expense of sharper production declines in some of the older producing regions. The prospects for this commitment to Tyumen oil are highly dubious. Samotlor, which presently produces about one-fourth of all Soviet oil, is being driven beyond its previously planned capacity, while exploitation of the smaller fields require disproportionately large quantities of investment. Even now, these fields are not being brought on stream as rapidly as planned.

The increasingly heavy commitment of resources to oil production in West Siberia is unlikely to prevent a serious decline in Soviet ability to export oil in the 1980s. Moreover, given the limits on investment resources, the push in West Siberia

could retard progress toward increasing the production of coal or gas. Delays in solving high-voltage transmission problems, in developing either slurry or capsule pipelines, and in producing power generating equipment adapted to Kansk-Achinsk coal will preclude any large-scale substitution of coal for at least a decade. Eventually the Soviets are likely to emphasize gas, based on a quantum increase in Tyumen or Astrakhan production. Provided that gas reserves are close to official claims, this approach would be the only way of realizing a continuing increase in total energy production in the 1980s. But the accompanying demands for equipment would place an acute strain on the steel industry and on industrial branches producing compressors and other equipment for the gas industry and gas consumers. Foreign credits to hasten the import of large-diameter pipe and compressors might prove to be critical at this juncture. Even now, by stressing development of Tyumen oil, Brezhnev has heightened the need for a broad range of onshore and offshore technology, much of which will have to be imported if the best and quickest possible results are to be obtained.

The slow-down in *capital formation* could not be occurring at a worse time because greater investment is needed to counter the declining increments to labor, to renovate obsolete plant and equipment, and to stave off the impending energy crunch. Moreover, the required investment programs are becoming more costly and their payoff further away, as more resources are devoted to Siberia where costs are high, labor is short, and infrastructure is often nonexistent.

Demand for investment goods also must compete with the needs of agriculture (which currently command about one-fifth of the country's investment resources) and the defense sector. Moscow has indicated that some redistribution of investment resources is in the offing for 1979: the energy and machine-building branches of the economy are to receive a larger share of investment together with transportation and metallurgy. Agriculture's share will remain intact. This reallocation implies a declining share for consumer-oriented industries and perhaps housing.

We expect growth in per capita consumption in 1978 to be considerably less than last year, largely because of the effect on food output of last year's mediocre harvest. The output of major crops in 1977 fell 5.5 percent below the previous year. Planning Chief Baybakov warned the consumer of this possibility in his speech on 1978 prospects last December and appealed at that time to all sectors to regard the 1978 consumer goals as "minimum targets."

Although per capita meat output this year will exceed the previous highs achieved in 1974-75, meat shortages are still common. The long-run gap between supply and demand for meat appears to be widening, evidenced by an increase in the spread between fixed prices in state retail stores and free prices in collective farm markets. Over the long run, the leadership appears confident that the meat situation

will improve. In mid-summer, Brezhnev announced a relatively high meat goal for 1985, and per capita meat consumption norms were raised by about 15 percent. Moscow continues to offer impressive incentives to the private agricultural sector, probably anticipating a big pay-off in meat production.

Slowing economic growth and looming resource shortages already are affecting *foreign economic relations*. Mounting hard currency debt and reduced expectations regarding (a) the gains from trade with the West and (b) Soviet ability to boost exports have led to a more pragmatic approach to hard currency trade. The USSR has trimmed its trade deficits and reduced new borrowings in order to better ensure balance of payments stability in the 1980s.* Worried about its ability to export enough to cover anticipated hard currency imports and to repay existing debt, Moscow has been insisting on compensation type arrangements for major industrialization projects undertaken with the West. These demands tend to reduce the flow of Western technology and equipment and will continue to impede technology transfer unless the USSR becomes more accommodating regarding complementary Western requests for management participation, quality control, production sharing, and on-site inspection.

Economic Ties With Eastern Europe

Domestic economic problems have spilled over to influence Soviet economic relations with Eastern Europe. Over the last few years the USSR has had to face up to the increasing opportunity costs of exporting raw materials, particularly energy, to Eastern Europe. In addition to charging higher prices to its East European customers, the USSR has begun to stiffen its terms for Soviet guarantees of future raw material deliveries. In particular, Moscow is asking Eastern Europe to provide the equipment and construction labor required to develop raw material deposits. But Soviet ability to redress the imbalance in its resource transfer to Eastern Europe will ultimately depend upon political realities. For example, the USSR has eased the impact of higher oil prices by providing large credits to East European oil importers and by allowing some East European participants in the CEMA-wide Orenburg pipeline project to reduce labor participation below agreed-upon levels. 25X1

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USSR: CONTINUING SLOWDOWN IN ORDERS FOR WESTERN MACHINERY

Despite the improvement in the USSR's hard currency payments position, Soviet orders for Western machinery and equipment still have not recovered from the low level of 1977. Indeed, the value of Soviet contracts, based on data for the first nine months of 1978, is running nearly 25 percent behind the 1977 pace. The picture is mixed, however. A sharp slump in equipment orders for the chemical and petrochemical industry more than accounts for the 1978 decline. Contracts for certain industrial sectors—notably oil and gas—are on the upswing again.

USSR: Hard Currency Orders for Machinery and Equipment,[1] January-September

Million US $

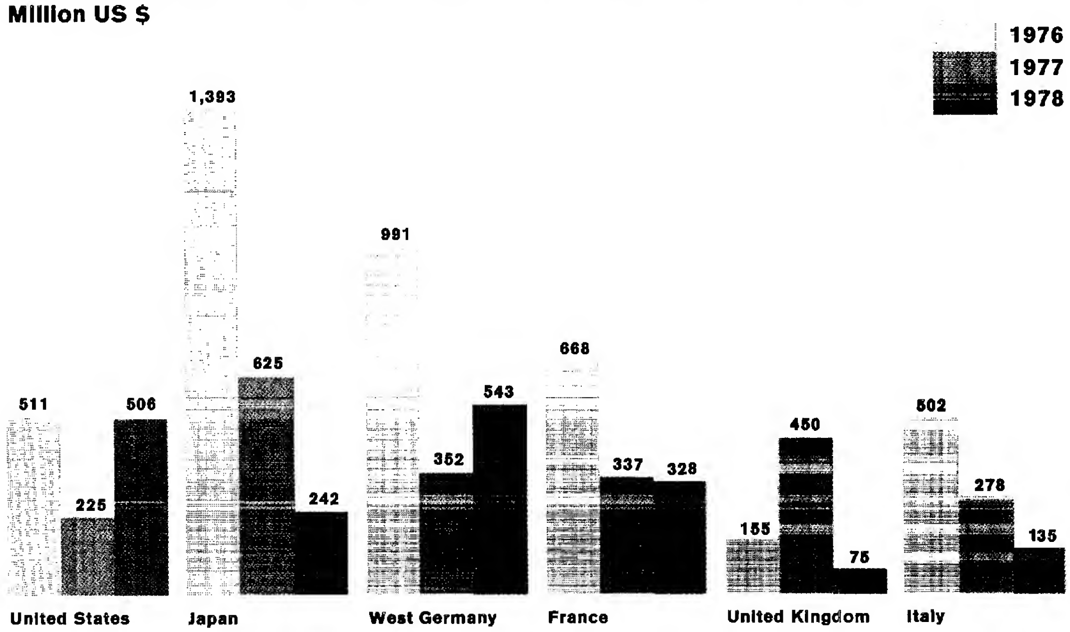
	1976	1977	1978
Total	4,333[2]	2,572	2,013
Chemical and petrochemical	1,070	1,199	562
Oil and natural gas[3]	1,440[2]	233	779
Metalworking and metallurgy	898	237	103
Mining and construction	113	136	40
Timber and wood products	133	65	75
Vehicle manufacturing	325	48	94
Ships and marine	48	67	83
Aircraft	14	45	0
Vehicles, industrial user unknown[4]	20	56	54
Electronic, including computers	16	113	100
Food processing	37	137	17
Consumer goods	98	75	31
Other	121	161	75

[1] Orders are categorized according to end users whenever possible. Two exceptions are tire manufacturing equipment, which is under "chemical and petrochemical," and computers and related equipment, which are under "electronics."
[2] Includes roughly $800 million worth of machinery that was ordered on behalf of Eastern Europe for the Orenburg pipeline project.
[3] Including pipeline equipment but excluding pipe.
[4] Including trucks, tractors, bulldozers, and materials-handling equipment.

Trends in Western Shares of Soviet Orders

Soviet orders for machinery and equipment through September were down for most major hard currency trading partners: (a) down by more than four-fifths for the United Kingdom; (b) down by nearly two-thirds for Japan; (c) down by one-half for Italy; (d) essentially unchanged for France; and (e) up by one-half for West Germany. Soviet contracts for US equipment for the first nine months, on the other hand, were more than double the 1977 level for the same period, with oil and gas equipment responsible for almost all of the increase. Soviet orders placed in the United States include a $158 million contract for a drill-bit plant to be erected at Kuybyshev.

Soviet Equipment and Machinery Orders, January-September
Million US $



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Reasons for Weakness in Soviet Orders

The continuing slump in orders for Western machinery and equipment seems to reflect Soviet financial conservatism, Western distaste for compensation agreements, and problems in digesting the machinery already purchased. A number of major industrial projects scheduled for the current five-year plan (1976-80)—which presumably would have been backed by long-term credits—reportedly were ordered postponed to the 1981-85 five-year plan by Chairman of the USSR State Bank, Vladimir S. Alkhimov. To slow the growth of Soviet debt, Moscow also scaled down the size of some major projects involving Western equipment and technology. A notable example is the recently signed order for $200 million to $250 million in gas lift equipment to be used at the Samotlor and Fedorovo oilfields in West Siberia. When the Soviets began shopping for the project in 1975, Moscow reportedly was looking for about $500 million worth of Western equipment. Similarly, a Soviet contract for a bearing plant currently in the final stages of negotiation was initially set in 1977 at $93 million, reduced to $37 million in June 1978, and then finally marked down to only $11 million.

Heightened Soviet insistence on compensation arrangements as a condition for going forward with major projects involving large purchases of Western equipment and technology has led to a slowdown in new orders. Western firms are becoming more reluctant to accept many Soviet products. Unlike in 1974, when fuel and raw material shortages made long-term supplies of Soviet products attractive to Western firms, they now regard compensation agreements as a disagreeable condition for winning Soviet contracts. For example, Moscow so far has been unable to find a Western firm to supply an estimated $750 million worth of equipment for an ethylene plant to be built at Tomsk because of Soviet demands for a 100-percent buy-back arrangement in the output of the plant. US firms reportedly are unwilling to accept any type of compensation arrangement while West German firms want to buy back oil instead of petrochemicals. The West European chemical industry already is worried about the difficulties of absorbing large flows of Soviet chemical fertilizers and petrochemicals stemming from earlier compensation agreements.

Inability to absorb the substantial amount of previously ordered Western machinery and equipment also has contributed to the cutback in orders. Serious bottlenecks have developed in constructing the facilities needed to house Western equipment and—according to Soviet Foreign Trade Minister Nikolay S. Patolichev—foreign trade organizations have thus been enjoined to slow down the signing of new contracts. In addition, the USSR reportedly is finding it difficult to supply manpower for new plants as a result of labor shortages and the lack of technically qualified workers.

Implications for the United States

The slowdown in orders should have a mixed impact on prospective US equipment sales. US-produced oil and gas equipment is preferred by Moscow, and Soviet orders in this area are on the rise. The lack of US-government-backed credits, however, will continue to limit sales of this equipment to key items; further current US export restrictions will continue to be a further hindrance. Export restrictions, for example, were a major factor in Moscow's decision to order the gas lift equipment for the Samotlor and Fedorovo oilfields from a French-led consortium, which guaranteed an "all-European" package, rather than to accept the offer of a Japanese consortium, which included several US-based subcontractors. Soviet orders for nonenergy equipment are expected to remain depressed. In particular, US commercial reluctance to accede to Soviet demands for compensatory arrangements, along with the lack of low-interest long-term credits, probably will sharply limit major US-USSR deals over the near term. [redacted]

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VIETNAM: GROWING ECONOMIC TIES WITH SOVIET ORBIT

Over the past six months, the USSR has substantially tightened its economic links with Vietnam. Hanoi's joining the Soviet-dominated Council for Mutual Economic Assistance (CEMA, or COMECON) last June has been followed by the 3 November "treaty of friendship and cooperation" between the two countries, as well as several new economic agreements. Faced with deteriorating relations with China, a border war with Cambodia, a large import bill, and a lackluster postwar economy, the Hanoi leadership has softened its key policy of nationalistic independence in favor of the additional security offered by more formal ties to CEMA allies. Vietnam's immediate gains will include aid to help replace Chinese assistance, which was cut back in May and completely ended in July. Hanoi will continue to resist Soviet pressures for greater influence over its policies.

CEMA Membership

Vietnam's entry into CEMA at the 29 June 1978 Bucharest meeting was not as precipitous as it appeared. Hanoi had had longstanding bilateral aid and trade relations with the major CEMA members—Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, and the USSR. Hanoi had sent observers to CEMA meetings from 1958 to 1962, in 1967, and from 1973 to 1978. Beginning in 1976, the Vietnamese upgraded the level of their observer delegation by sending Vice Premier and State Planning Chairman Le Than Nghi to the CEMA meetings. In 1977, Hanoi joined two CEMA financial organizations—the International Bank for Economic Cooperation and the International Investment Bank. Moscow had previously been encouraging Vietnam to join CEMA as a full member but Hanoi had demurred, preferring not to jeopardize its image of independence and nonalignment, especially vis-a-vis the People's Republic of China.

While China's decision last May to cut back economic aid to Vietnam was a proximate cause for Hanoi's CEMA membership, the groundwork had been laid earlier. Relations with China had been worsening continuously since 1975 over (a) Vietnam's border dispute with Cambodia, (b) PRC-Vietnam disputes over territorial rights both at mainland borders and around the Paracel and Spratly Islands, (c) Hanoi's close relations with Moscow, and (d) Vietnam's treatment of its ethnic Chinese. The downward spiral in Hanoi-Peking relations, combined with Vietnam's failure to garner substantial economic aid from the United States and other Western nations, no doubt caused Politburo leaders to reassess the political and economic security available from closer CEMA ties.

Vietnam's Potential Gains and Losses

We cannot yet expect economic benefits to Vietnam from CEMA membership

beyond ongoing bilateral aid and trade programs. The Soviet and East European CEMA members are reportedly committed by bilateral agreements to support Vietnam with an estimated $640 million annually ($500 million from the USSR, $140 million from East European countries) in economic aid from 1976 through 1980—almost three-fifths of total aid and credits promised to Vietnam during the period. The bulk of economic aid is bilateral credits, which Hanoi presumably hopes will ultimately be written off, as happened to Communist credits extended to North Vietnam during the war. CEMA loans—as distinct from bilateral aid—could not so easily be written off. Any debt cancellation might raise problems for future borrowing from the West by CEMA banks themselves.

Hanoi certainly wants the CEMA members—either bilaterally or as a group—to take over many of the 100-odd aid projects abandoned by China and to offset the withdrawal of approximately $300 million in annual Chinese aid to Vietnam. The CEMA countries will be selective in their choice of former Chinese projects to support to avoid straining their own resources. Furthermore, the East European members wish to avoid unnecessarily riling Peking. The CEMA members could help Hanoi finish various construction, transport, and mining projects *; at the same time, they would be reluctant to take on the completion of manufacturing installations incorporating Chinese equipment and engineering that might not be compatible with Soviet and East European machinery and production processes.

Vietnam may gain in other ways from the use of aid from CEMA countries. Food aid may be obtained on more favorable terms and possibly in greater amounts. The CEMA Executive Committee, for example, is reportedly discussing emergency food aid for Vietnam in the wake of the recent floods. Under CEMA, bilateral programs may be better coordinated to reduce redundancy and to improve linkages between projects. Vietnam will receive guidance from CEMA on formulating economic plans. Vietnamese leaders probably hope that the trade with CEMA members may be enhanced by improved shipping and clearing arrangements on a multilateral basis rather than on a seven-country bilateral basis. Multilateral clearing in CEMA, however, has customarily been more apparent than real. Finally, the implied institutional backing of CEMA may improve Vietnam's creditworthiness in the eyes of Western bankers, who are concerned that Hanoi may have difficulty servicing its commercial bank credits.

Whether or not the political and economic gains to Hanoi of closer ties to the Soviet orbit are real—or at least perceived by Hanoi as real—they will have been obtained at the expense of Vietnam's image of independence and nonalignment. Hanoi now will be forced to weigh carefully its highly nationalistic goals against the

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obligation to be more forthcoming in support of Soviet policies. Even though Vietnam is not geographically vulnerable to Soviet control, Moscow may decide at some point to use its increased economic leverage to urge Hanoi to allow, for example, Soviet naval access to Vietnamese ports. The Vietnamese are unlikely to grant the Soviets formal base rights, but a serious escalation of pressure by China could cause Hanoi to permit a limited Soviet military presence. Vietnam's membership in CEMA and the signing of the friendship treaty, moreover, play into China's hands by seemingly proving the PRC claim that Moscow is behind every Vietnamese action in Southeast Asia.

Vietnam's closer ties to the Soviets may give pause to many Western aid donors. With Hanoi seemingly more securely in the Soviet camp, Western nations—which earlier had hoped Vietnam would be more of an Asian "Yugoslavia" than a "Cuba"—may give up trying to gain influence over Vietnam through aid programs. The many Western nations that have been trying to improve relations with China for several years will see no benefit in succoring Hanoi at the risk of perturbing Peking. Japan, France, and Italy, precisely for this reason, have already refused Hanoi's request that they take over some of the abandoned Chinese aid projects.

Reaction Within CEMA Countries

Vietnam has not been received enthusiastically in CEMA by all members. At least Romania, Poland, and Czechoslovakia resent Hanoi's entry. Romania—and also Yugoslavia, which has a special relationship with CEMA—prefer to keep CEMA from becoming involved in Vietnam because Hanoi is so deeply entangled in Sino-Soviet rivalries in Southeast Asia. Poland considers Vietnam to be too far away to claim the attention—and the resources—of the poorer East European countries. Both Poland and Romania fear an increasing politicization of CEMA at the behest of Moscow and feel that aid to Soviet-designated developing countries merely strains the resources of the East Europeans and runs counter to the CEMA objective of evening up the living standards of the East European member states.

Many of the East European countries feel that Vietnam's membership was rammed through by Moscow and that Vietnam itself has little to offer the East Europeans. East Germany, Czechoslovakia, and Hungary see in Hanoi's membership a Moscow ploy to spread an increasingly expensive Soviet burden—especially onto the more developed CEMA economies. Bulgaria, on the other hand, views the possibility of multilateral CEMA projects in Vietnam as preferable to current bilateral programs.

Moscow's Gains

The Kremlin has palpably scored in arranging for Vietnamese membership in CEMA and the recent friendship treaty. Moscow has probably increased its political

and economic leverage over Vietnam by binding more closely a major aid client. At the same time, the USSR strengthens a useful ally on China's southern flank, an ally that at some point could be called on to support Soviet policies in Southeast Asia. Over time, Moscow probably expects better access to the Indochina region for political, military, and intelligence purposes.

Prospects

For now, we do not expect Vietnam's CEMA membership to result in substantial loans under CEMA auspices or in a dramatic improvement in bilateral aid receipts. CEMA officials have only recently agreed on areas for Vietnamese participation in CEMA organizations. Vietnamese representatives will start out on CEMA working groups and gradually participate in standing commissions. While the Vietnam-CEMA relationship evolves, Hanoi will continue to rely on existing bilateral arrangements with CEMA members for economic aid. The economic agreements signed at the same time as the Soviet-Vietnamese friendship treaty will result in a moderate increase in the already large Soviet aid program. The East Europeans will remain reluctant to increase their support in parallel fashion.

Because of its CEMA membership and the friendship treaty, Vietnam's international image of nonalignment is no longer as sturdy as Hanoi would have the non-Communist world believe. Peking is going out of its way to remind especially the other Southeast Asian nations of the growing Moscow-Hanoi link and the danger it poses. For their part, Vietnam's leaders do not relish the closeness of the association with Moscow forced on them by the rift with China and will do what they can to restrain Soviet influence. Hanoi remains uneasy about its dependence on the USSR and is still in the process of sorting out its international position, as witness its continuing overtures to the United States for diplomatic relations, and its efforts to persuade non-Communist Asia that the friendship treaty has not seriously compromised its nonaligned foreign policy.

25X1

* * * * *

NON-OPEC LDC TERMS OF TRADE: SUBSTANTIAL GAINS IN 1977 *

In 1977, the terms of trade of the non-OPEC LDCs—the ratio of their export prices to their import prices—rose by 13 percent, the largest jump in this decade. Due

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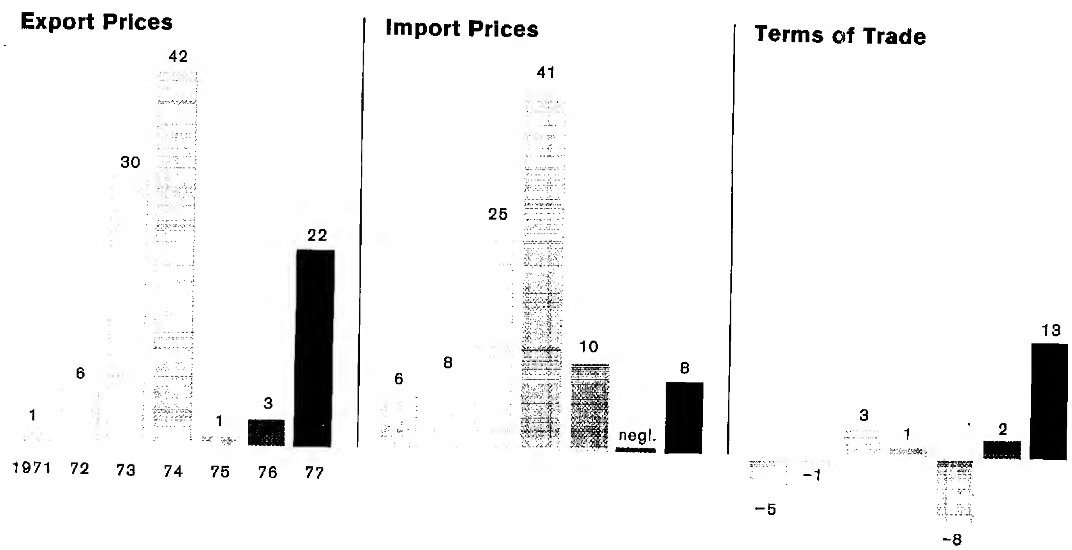
Non-OPEC LDCs: Terms of Trade

Percent Change



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mainly to fluctuations in the export prices of primary commodities, non-OPEC LDC terms of trade had fallen 8 percent in 1975 and had posted a 2-percent gain in 1976. Despite the large jump in oil import prices following the OPEC price hikes of 1973/74, the 1977 non-OPEC LDC terms of trade were 4 percent higher than in 1970 and were more favorable than in any year since then.

In 1978 the non-OPEC LDCs are expected to lose some of their recent gains in terms of trade. Coffee, cocoa, and tea prices have already started to recede from their recent highs. Sugar prices are expected to remain low for some time, and no strong upturn is expected in prices for minerals. At the same time, prices of imported manufactures and oil should continue to climb.

Factors Behind the Changes

In this analysis, trends in the non-OPEC LDC terms of trade are determined by relative changes in indexes of export and import prices; the indexes are weighted averages of 167 prices on the export side and 168 prices on the import side, with the weights based on the composition of trade in 1970. Primary commodities and basic

manufactures dominate non-OPEC LDC exports; oil and manufactures dominate imports. While the bulk of manufactured exports come from a few countries like Hong Kong, Taiwan, and South Korea, primary commodity exports are widely dispersed. Although prices for oil and manufactured goods have shown practically nothing but increases in recent years, primary commodity prices have moved up and down over a wide range—booming in 1972-74, plummeting after mid-1975, recovering in 1976-77, and slipping in late 1977. The consequence has been fluctuating terms of trade for the LDC group and widely disparate results for individual countries.

Terms of Trade: Regional Developments

Sub-Saharan Africa, South Asia, and Latin America made the strongest terms-of-trade gains between 1975 and 1977. In sub-Saharan Africa the terms of trade jumped 31 percent to stand 5 percent above the 1970 level. During the same period the terms of trade for South Asia increased by 22 percent but were still 5 percent below those of 1970. Latin America showed a 19-percent gain in 1976-77, to reach a position 11 percent higher than in 1970. The East Asia-Pacific region and the Middle East-North Africa region had much smaller improvements of 5 percent each; the former region pulled even with its 1970 terms of trade, the latter rose to 6 percent above the 1970 level.

Terms of Trade: Country Positions

While the non-OPEC LDCs as a group experienced a 16-percent trade-weighted improvement from 1975 to 1977, 51 of the 78 countries included in the analysis showed improved or unchanged terms of trade, 15 had declines of 10 percent or less, and 12 suffered losses greater than 10 percent. These changes ranged from a 123-percent gain for ***Uganda*** to a 57-percent loss for ***Reunion***.

Those countries recording improved or unchanged terms of trade between 1975 and 1977 included several major coffee exporting countries in Latin America and Africa, which gained from a tripling of coffee prices during the period. These gainers included ***Uganda***, ***Ethiopia***, ***Colombia***, ***Cameroon***, ***Brazil***, ***Guatemala***, and ***Kenya***. Many of these countries had experienced worsened terms of trade in 1975 compared with 1970 because a jump in oil import prices coincided with a drop in coffee export prices. Among exporters of manufactures ***South Korea*** and ***Hong Kong*** showed improvements in 1976-77 after reversals in 1971-75.

Mexico has shown unusual stability in its terms of trade. Its 1977 position was 1 percent above that of 1975. Since 1970, the largest annual change has been a 6-percent improvement in 1974 during the commodity boom. Mexico has been cushioned

Selected Non-OPEC LDCs: Changes in Terms of Trade

Percent

	1977 Over 1975	1975 Over 1970	1977 Over 1970
Non-OPEC LDC average [1]	16	−10	4
Gains or no change			
Uganda	122.6	−27.0	62.5
Ethiopia	108.9	−25.0	56.7
Colombia	92.0	−7.4	77.8
Ivory Coast	91.0	−20.2	52.4
Cameroon	75.0	−18.1	43.3
Brazil	61.7	−24.3	22.4
Guatemala	59.7	−14.3	36.9
Kenya	48.8	−10.2	33.6
Malaysia	15.6	−8.2	6.1
India	15.3	−24.0	−12.4
Egypt	13.5	−6.0	6.7
Malawi	8.1	−9.8	−2.5
Zaire	7.6	−44.4	−40.2
South Korea	7.6	−25.4	−19.7
Singapore	7.2	15.6	23.9
Hong Kong	4.3	−13.4	−9.7
Mexico	1.0	−1.0	0
Losses of 10 percent or less			
Bahrain	−1.7	−7.9	−9.5
Thailand	−1.6	−1.4	−3.0
Netherlands Antilles	−3.4	36.7	32.1
Bahamas	−3.7	32.9	28.0
Trinidad and Tobago	−4.3	40.9	34.9
Chile	−4.7	−46.3	−48.8
Argentina	−8.2	−6.5	−14.2
Zambia	−8.3	−54.4	−58.2
Losses greater than 10 percent			
Jamaica	−12.1	−3.8	−15.4
Philippines	−14.6	3.1	−12.0
Morocco	−15.6	4.8	−11.5
Dominican Republic	−27.8	50.2	8.4
Guyana	−30.9	14.8	−20.7
Mauritius	−54.1	83.5	−15.8
Reunion	−56.7	97.9	−14.4

[1] Based on trade-weighted overall export and import price indexes for 78 non-OPEC LDCs.

against large terms-of-trade swings by its diversified exports, which range from coffee to electronics.

Among the 15 countries with terms-of-trade losses of less than 10 percent from 1975 to 1977 were ***Argentina***, ***Zambia***, ***Chile***, ***The Bahamas***, ***Bahrain***, and ***Thailand***. Two Caribbean oil processors, ***Trinidad and Tobago*** and the ***Netherlands***

Major Non-OPEC LDC Traders: Export Prices, Import Prices, and the Terms of Trade

Index: 1970=100

	1971	1972	1973	1974	1975	1976	1977
Non-OPEC LDC average [1]							
Export	101	107	139	197	199	205	250
Import	106	114	143	202	222	222	240
Terms of trade	95	94	97	98	90	92	104
Argentina							
Export	105.5	113.4	162.9	202.5	197.4	189.7	199.0
Import	105.6	114.4	142.0	188.7	211.1	209.7	232.0
Terms of trade	99.9	99.1	114.7	107.3	93.5	90.5	85.8
Brazil							
Export	99.8	106.0	135.7	175.0	179.6	208.1	306.2
Import	105.2	113.8	142.4	212.5	237.2	232.9	250.2
Terms of trade	94.9	93.1	95.3	82.4	75.7	89.4	122.4
Chile							
Export	83.5	83.0	114.3	153.2	114.0	119.3	121.4
Import	105.5	114.9	140.7	188.6	212.4	213.4	237.1
Terms of trade	79.1	72.2	81.2	81.2	53.7	55.9	51.2
Colombia							
Export	99.3	106.5	134.0	188.6	195.5	259.2	414.5
Import	107.6	115.9	144.1	187.0	211.2	206.8	233.1
Terms of trade	92.3	91.9	93.0	100.9	92.6	125.3	177.8
Egypt							
Export	107.6	118.2	144.0	221.1	213.3	218.8	257.9
Import	107.8	115.7	146.9	207.2	227.0	220.6	241.6
Terms of trade	99.8	102.2	98.0	106.7	94.0	99.2	106.7
Hong Kong							
Export	104.8	113.3	126.4	153.8	161.3	168.8	188.9
Import	104.3	113.5	140.6	173.5	186.2	191.3	209.1
Terms of trade	100.5	99.8	89.9	88.6	86.6	88.2	90.3
India							
Export	104.2	111.6	135.4	167.1	179.0	174.6	208.9
Import	103.4	110.7	145.7	219.4	235.4	229.4	238.4
Terms of trade	100.8	100.8	92.9	76.2	76.0	76.1	87.6
Jamaica							
Export	96.5	102.2	125.0	181.8	203.7	187.7	194.1
Import	104.7	114.6	142.3	189.0	211.8	212.9	229.5
Terms of trade	92.2	89.2	87.8	96.2	96.2	88.2	84.6
Malaysia							
Export	100.8	104.1	145.7	222.5	206.5	221.5	263.9
Import	105.4	113.1	138.9	201.6	225.0	228.2	248.8
Terms of trade	95.6	92.0	104.9	110.4	91.8	97.1	106.1
Mexico							
Export	104.9	116.0	139.8	186.9	207.1	200.2	228.7
Import	106.9	116.5	144.4	182.8	209.1	208.4	228.8
Terms of trade	98.1	99.6	96.8	102.2	99.0	96.1	100.0
Morocco							
Export	102.8	107.4	132.0	196.9	227.3	204.3	206.3
Import	106.7	116.1	141.7	194.5	216.9	210.3	233.1
Terms of trade	96.3	92.5	93.2	101.2	104.8	97.1	88.5

Major Non-OPEC LDC Traders: Export Prices, Import Prices, and the Terms of Trade (Continued)

Index: 1970=100

	1971	1972	1973	1974	1975	1976	1977
Philippines							
Export	101.8	107.3	148.6	224.2	233.0	200.9	218.0
Import	105.1	113.0	137.4	204.9	225.9	226.8	247.8
Terms of trade	96.9	95.0	108.2	109.4	103.1	88.6	88.0
Singapore							
Export	105.4	110.7	151.9	251.6	251.8	264.8	302.5
Import	104.9	112.6	138.2	197.7	217.8	221.5	244.2
Terms of trade	100.5	98.3	109.9	127.3	115.6	119.5	123.9
South Korea							
Export	103.8	112.0	131.9	159.6	166.7	170.1	187.1
Import	101.6	109.8	144.8	206.7	223.4	222.4	233.1
Terms of trade	102.2	102.0	91.1	77.2	74.6	76.5	80.3
Thailand							
Export	100.8	105.7	149.9	220.2	213.6	204.0	231.8
Import	107.0	116.6	140.5	193.9	216.7	216.6	239.0
Terms of trade	94.2	90.7	106.7	113.6	98.6	94.2	97.0
Trinidad and Tobago							
Export	116.2	120.9	170.9	412.0	442.1	445.2	491.6
Import	100.0	106.1	131.0	297.2	313.8	338.7	364.5
Terms of trade	116.2	113.9	130.5	138.6	140.9	131.4	134.9
Zaire							
Export	83.1	81.8	115.6	162.3	115.4	122.1	138.2
Import	106.7	115.9	141.2	182.7	207.4	209.3	231.1
Terms of trade	77.9	70.6	81.9	88.8	55.6	58.3	59.8
Zambia							
Export	78.5	77.1	110.5	150.7	96.7	102.3	101.7
Import	108.9	117.0	142.3	185.0	212.1	215.1	243.1
Terms of trade	72.1	65.9	77.7	81.5	45.6	47.6	41.8

[1] Trade-weighted average for 78 countries.

Antilles, suffered small deteriorations in 1977 relative to 1975 but remained well ahead of their 1970 terms of trade.

The 12 countries with 1976-77 terms-of-trade losses of more than 10 percent included several sugar exporters; these nations lost the strong positions held in 1975 when sugar prices peaked. Those suffering pronounced declines included ***Reunion, Mauritius, Guyana,*** and the ***Dominican Republic.***

Methodological Note

Our indexes are proxies for the export and import prices faced by individual LDCs. Indexes calculated by the LDCs themselves are available only for a small number of countries and usually after a long timelag.

We assume that annual movements in export and import unit value indexes in LDCs are a mirror image of unit value indexes movements in developed countries. From computerized SITC 5-digit and 4-digit foreign trade data, trade-weighted US dollar export and import unit value indexes are calculated at the SITC 3-digit level for the United States, the United Kingdom, Japan, and West Germany combined. The export indexes are proxies for LDC import indexes; the import indexes are proxies for LDC export indexes.

Indexes for individual LDCs are computed by applying their 1970 SITC 3-digit export/import trade weights to the proxy price indexes and aggregating the results up to the SITC 1-digit level and to SITC 1-digit combinations. Indexes for country groups are similarly trade weighted.

[redacted]

* * * * *

Notes

EC Steel Industry Remains Depressed

During the first nine months of 1978, EC steel production barely reached 100 million tons, only 4.4 percent above the depressed level of the same 1977 period. Operating rates remain low with only two-thirds of capacity in production. Despite production cutbacks, inventories have continued to increase, giving producers greater incentive to adhere to output quotas established last year under the aegis of EC industries commissioner Etienne Davignon. Quotas for fourth quarter 1978 add to 31 million tons, slightly lower than actual third quarter production.

Despite low operating rates and the continued losses of many individual EC steel companies, the industry's general profit position has improved moderately in recent months. Minimum price guidelines under the Davignon plan have brought some order to the European steel market. Export prices have stiffened and the import limitation agreements negotiated between the EC and many of its trading partners have eased competition from foreign steel.

The dullish outlook for EC economic performance next year does not suggest much change in the steel picture. While some European producers hope to increase exports to the Middle East and China in 1979, they will face stiff competition from Japan in both markets. Given these prospects, the Davignon plan probably will be extended through next year—the commissioner already is preparing to renegotiate the import restraint agreements. Meanwhile, EC steelmen are laying plans for new mergers and the shutdown of their older, high-cost plants. These rationalization plans—deemed imperative by industry leaders—already are encountering resistance from labor, particularly since many of the obsolete plants are located in areas already economically depressed. [redacted]

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UNCTAD Rubber Negotiations Face Hurdles

Negotiations between natural rubber producing and consuming nations, which started Monday in Geneva under UNCTAD auspices, face a number of stumbling blocks. Disagreements on key issues could result either in compromises or deferral for further study and subsequent negotiations.

These negotiations are especially noteworthy because natural rubber is the first of 18 commodities under UNCTAD's Integrated Program for Commodities to reach the stage of formal negotiation on a new agreement. If the negotiations fail, many see little chance of success on other commodities. Moreover, the industrialized countries may be under pressure to demonstrate their good faith on North-South issues in the negotiations on rubber because of the rupture of Common Fund negotiations in November 1977. (Common Fund negotiations resumed on Tuesday and will run simultaneously with the rubber talks until 27 November.)

There are three potential areas of disagreement. Producers, particularly the poorer and less efficient ones such as Indonesia, want to minimize their financial outlays by having a small buffer stock—300,000 to 400,000 tons—as opposed to one of about 700,000 tons that US officials contend is necessary to prevent serious price fluctuations. The United States is even more strongly opposed to producer insistence on export controls similar to those now in effect in the International Tin Agreement (ITA). Export controls invoked under the ITA frequently have remained in effect long after prices have stabilized and ultimately have resulted in higher prices. Consuming countries, the United States in particular, also seek to have high and progressive export taxes by producers amended because they lead to inflated prices. [redacted] 25X1

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National
Foreign
Assessment
Center

Economic Indicators Weekly Review

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FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

BIG SIX FOREIGN COUNTRIES[1] COMPOSITE INDICATORS

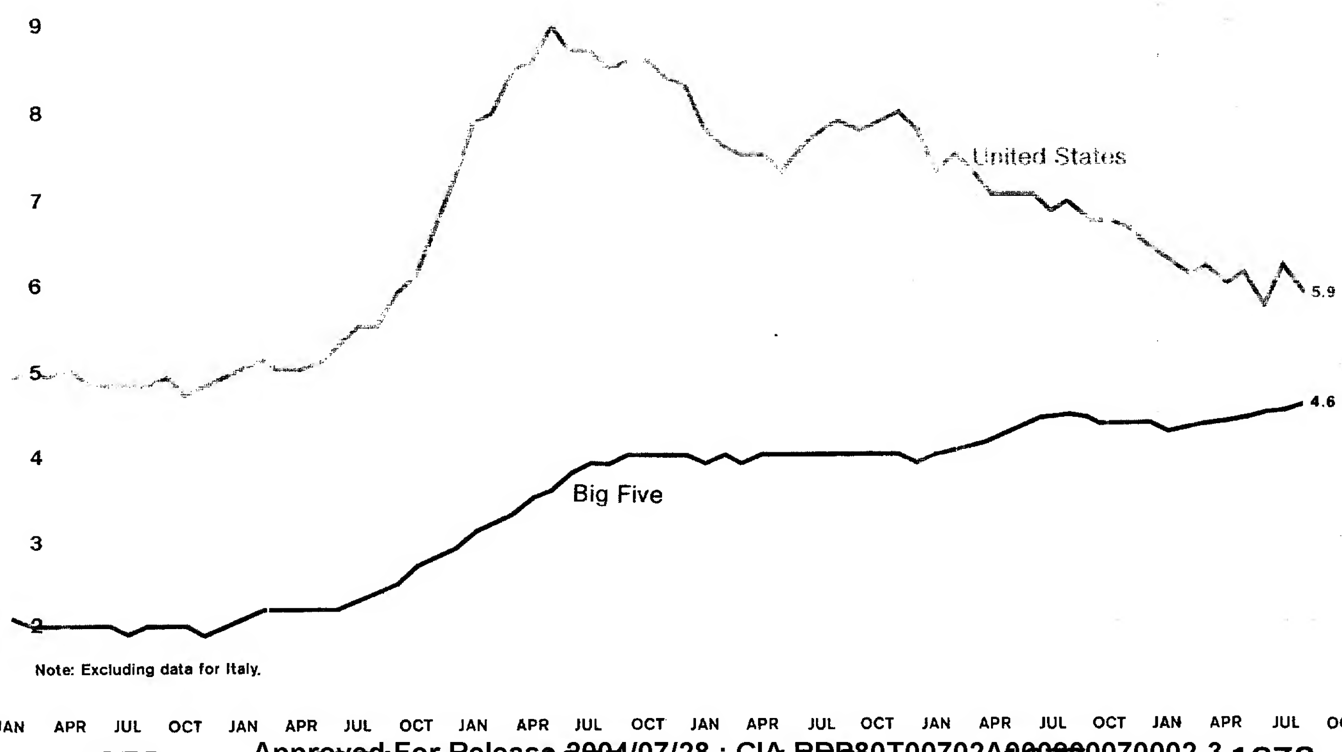
Industrial Production

INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale

Unemployment Rate

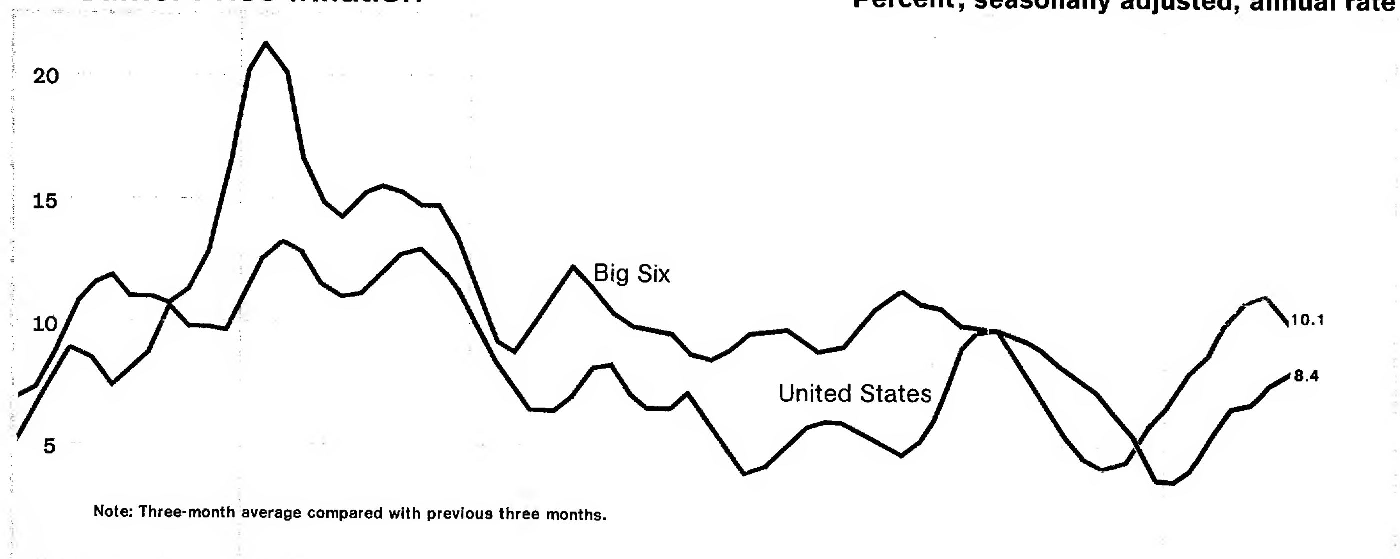
Percent



[1]Including Japan, West Germany, France, the United Kingdom, Italy, and Canada.

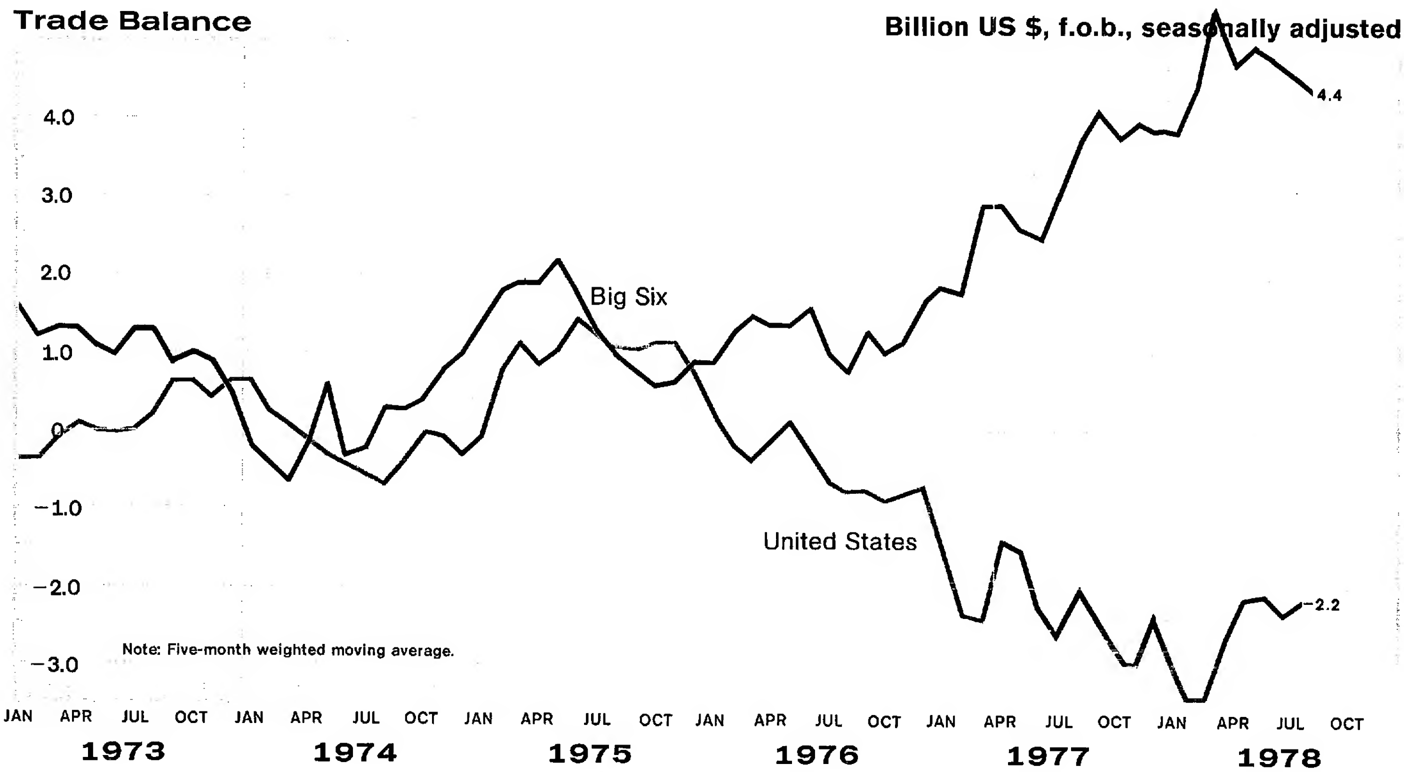
Consumer Price Inflation

Percent, seasonally adjusted, annual rate



Trade Balance

Billion US $, f.o.b., seasonally adjusted



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[2]
Industrial Production					
Big Six	AUG 78	−0.6	2.8	3.0	1.4
United States	AUG 78	0.5	3.9	6.2	9.2
Consumer Prices					
Big Six	AUG 78	0.7	9.2	6.6	8.4
United States	AUG 78	0.5	6.7	7.9	10.1

	LATEST MONTH		1 Year Earlier	3 Months Earlier
Unemployment Rate				
Big Five	AUG 78	4.6	4.4	4.4
United States	AUG 78	5.9	7.0	6.1

	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1978	1977	Change
Trade Balance					
Big Six	AUG 78	5,559	36,972	20,145	16,827
United States	AUG 78	−1,621	−20,976	−16,050	−4,926

[2]Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

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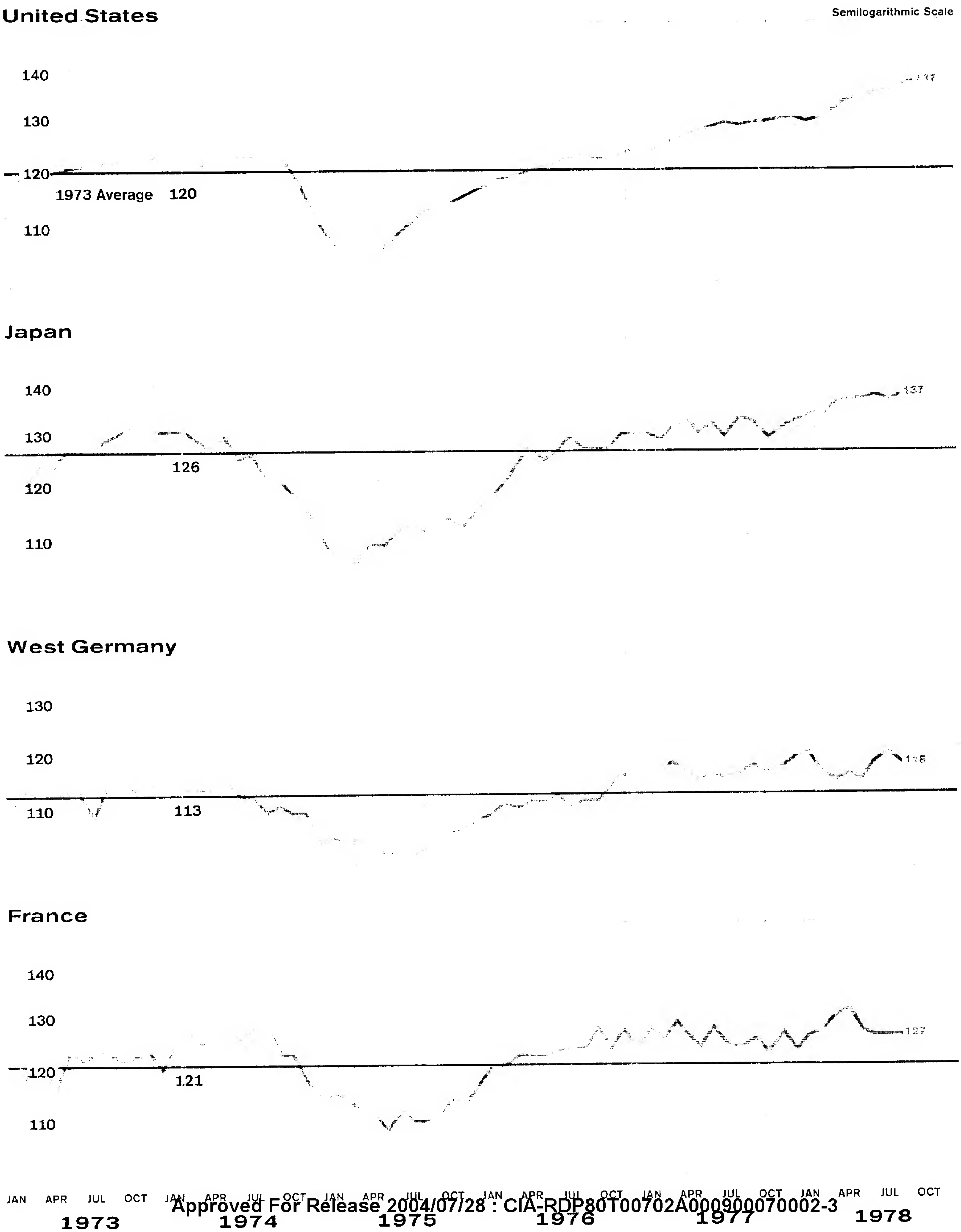
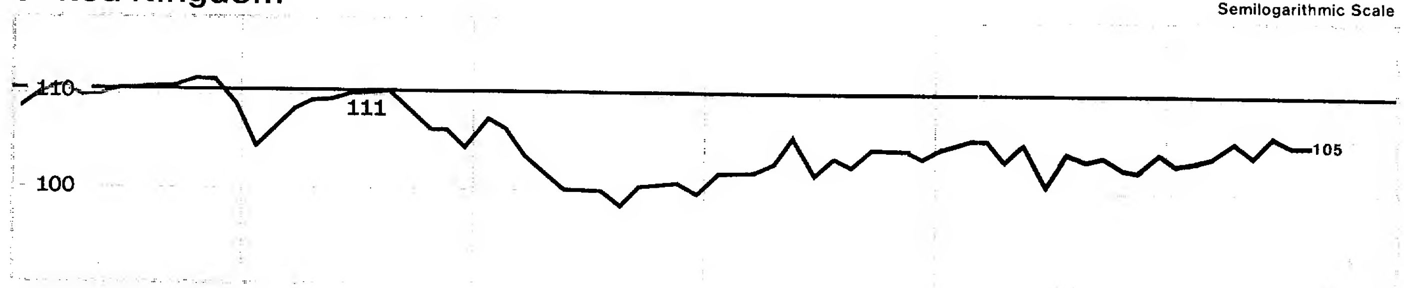
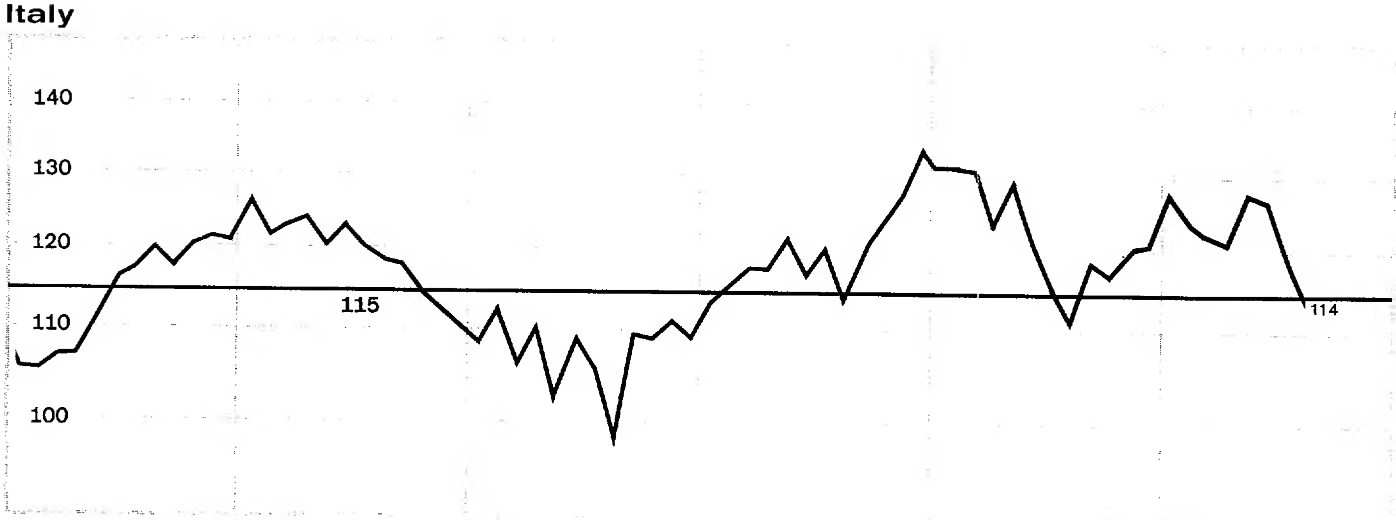
INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted



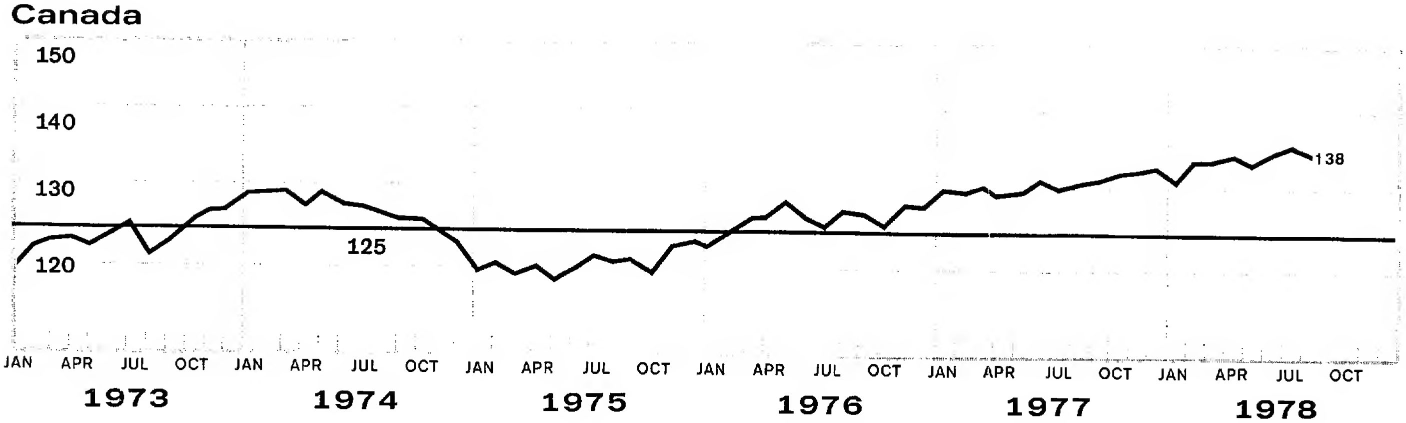
United Kingdom



Italy



Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[1]
United States	SEP 78	0.5	3.9	6.5	7.7
Japan	AUG 78	0.8	4.0	5.5	1.3
West Germany	AUG 78	-1.7	2.1	1.7	12.1
France	AUG 78	0.0	3.0	1.6	-7.1
United Kingdom	AUG 78	0.9	0.6	1.2	5.0
Italy	AUG 78	-5.4	1.6	1.7	-11.3
Canada	AUG 78	-0.8	4.1	3.8	3.6

[1]Average for latest 3 months compared with average for previous 3 months.

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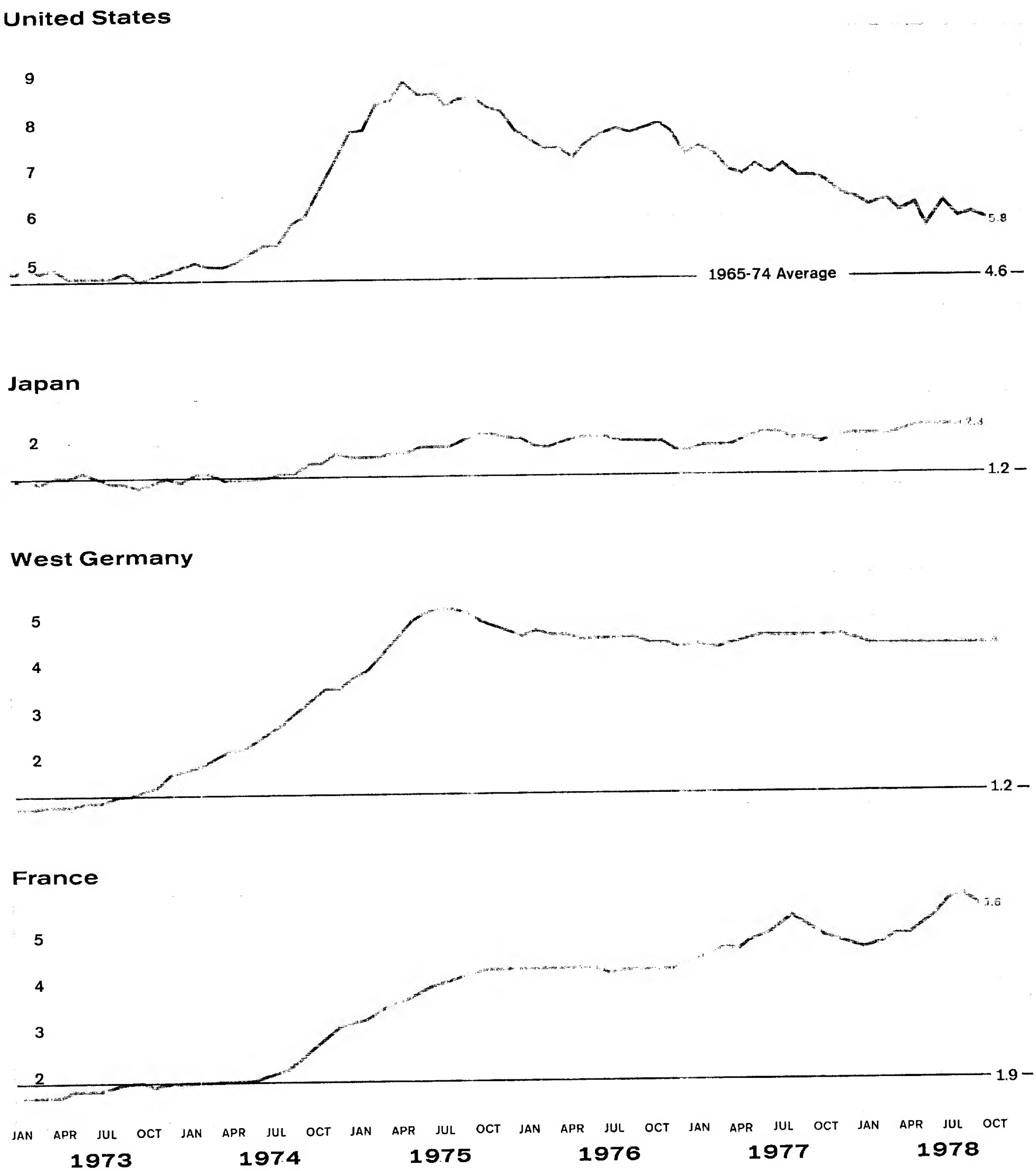
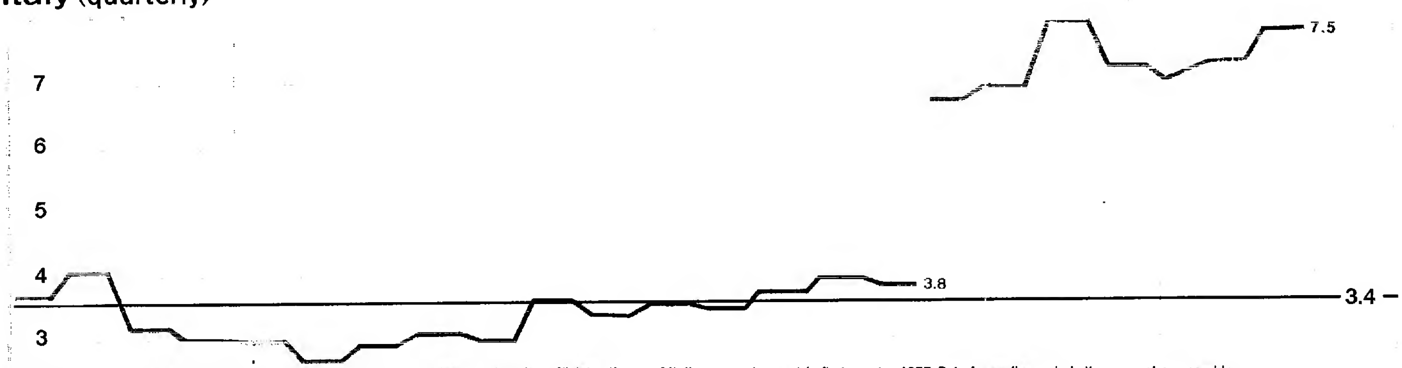
UNEMPLOYMENT RATE

PERCENT



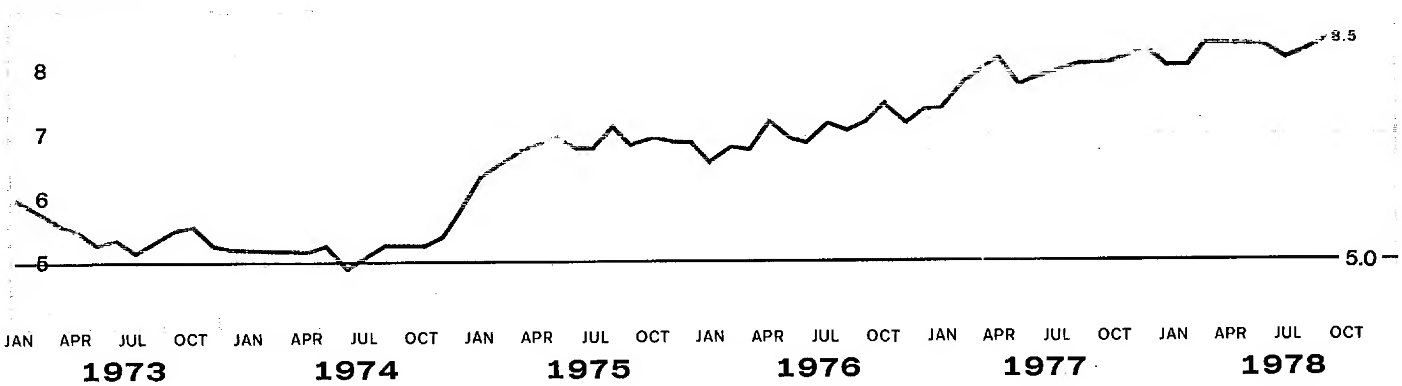
United Kingdom

Italy (quarterly)



A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

Canada



THOUSANDS OF PERSONS UNEMPLOYED

	LATEST MONTH		1 Year Earlier	3 Months Earlier
United States	OCT 78	5,870	6,688	6,193
Japan	AUG 78	1,270	1,130	1,270
West Germany	SEP 78	986	1,035	986
France	SEP 78	1,235	1,132	1,186

	LATEST MONTH		1 Year Earlier	3 Months Earlier
United Kingdom	OCT 78	1,360	1,432	1,371
Italy	78 III	1,658	1,692	1,455
Canada	SEP 78	946	887	944

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates. Beginning in 1977, Italian rates should be decreased by 50 percent to be roughly comparable to US rates.

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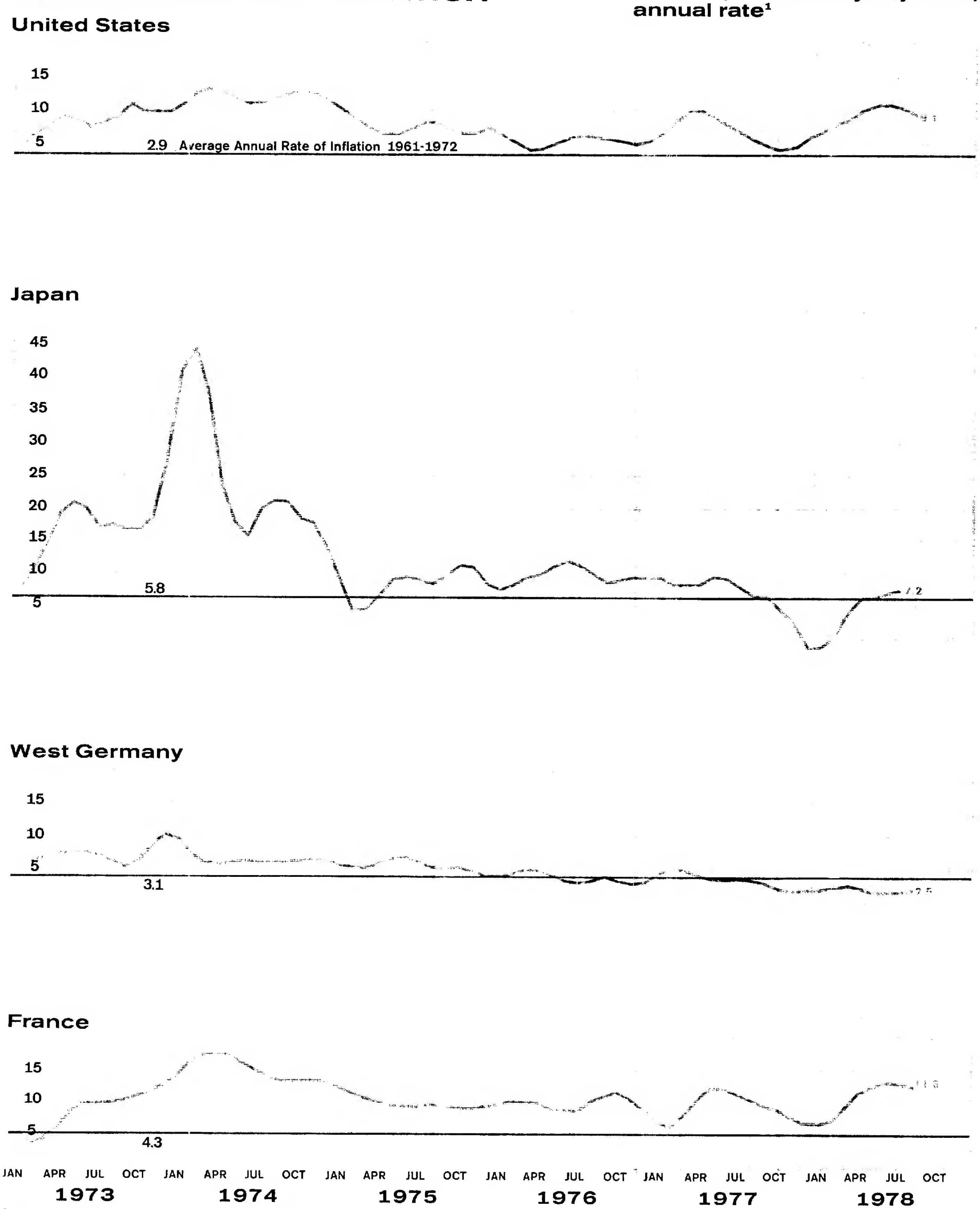
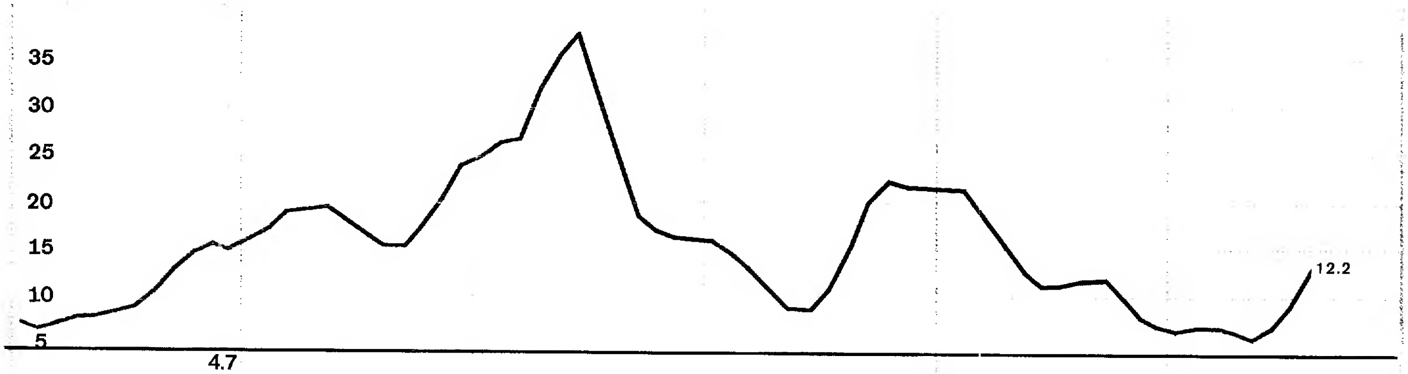
CONSUMER PRICE INFLATION

Percent, seasonally adjusted, annual rate[1]

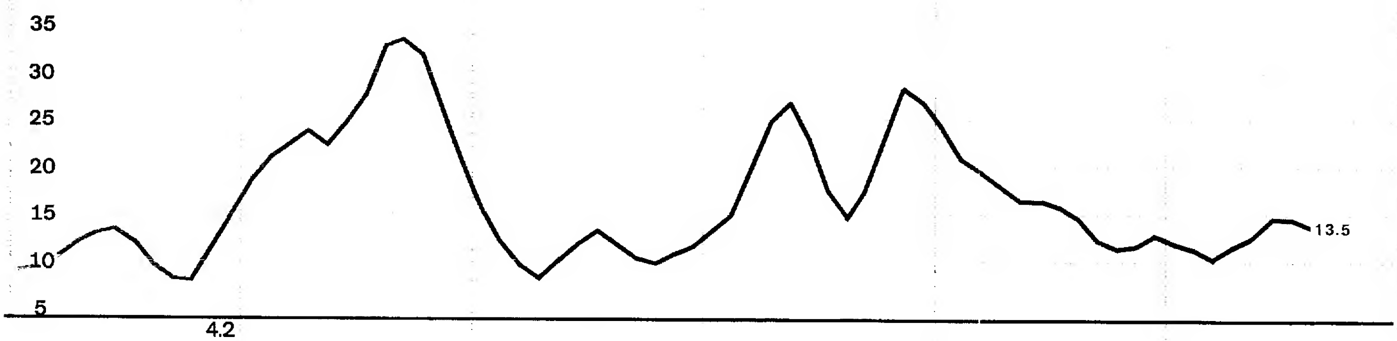


[1]Three-month average compared with previous three months.

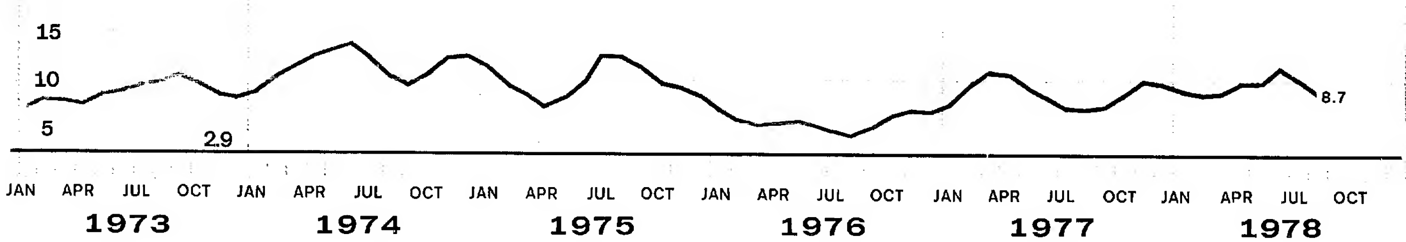
United Kingdom



Italy



Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970	1 Year Earlier	3 Months Earlier[2]
United States	SEP 78	0.8	6.8	8.3	9.1
Japan	AUG 78	1.0	9.8	4.2	7.2
West Germany	SEP 78	0	5.1	2.2	2.5
France	SEP 78	0.5	9.1	9.2	11.6
United Kingdom	SEP 78	0.9	13.2	7.8	12.2
Italy	SEP 78	1.0	13.1	12.2	13.5
Canada	SEP 78	0.1	7.6	8.6	8.7

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[2]Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

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GNP [1]

Constant Market Prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	78 II	1.8	3.2	4.0	7.4
Japan	78 II	1.1	5.4	5.3	4.4
West Germany	78 II	2.1	2.7	4.2	8.8
France	78 I	1.8	4.1	1.4	7.4
United Kingdom	77 IV	−0.5	1.6	−1.1	−1.9
Italy	78 I	2.0	2.8	−0.8	8.2
Canada	78 II	1.1	4.7	3.7	4.5

[1] Seasonally adjusted.

RETAIL SALES

Constant Prices

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
United States	Jul 78	0.3	3.3	2.7	−0.8
Japan	Jun 78	1.3	9.3	5.8	11.0
West Germany	Aug 78	0	2.7	2.5	6.6
France	Jan 78	9.9	0	1.0	10.5
United Kingdom	Sep 78	−2.1	1.2	5.8	11.5
Italy	Jun 78	3.4	3.9	4.3	10.5
Canada	Aug 78	3.7	4.1	1.3	1.1

[1] Seasonally adjusted.
[2] Average for latest 3 months compared with average for previous 3 months.

FIXED INVESTMENT [1]

Nonresidential; constant prices

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since 1970	1 Year Earlier	Previous Quarter
United States	78 II	3.6	3.0	7.4	15.1
Japan	78 II	1.8	1.5	5.1	7.6
West Germany	78 II	−0.5	1.2	7.8	−2.0
France	77 IV	0.8	4.0	4.7	3.3
United Kingdom	78 I	2.8	1.8	11.3	11.6
Italy	78 I	2.3	1.1	−19.6	9.4
Canada	78 II	10.6	6.5	6.1	49.9

[1] Seasonally adjusted.

WAGES IN MANUFACTURING [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
United States	Jul 78	1.2	7.6	7.6	6.8
Japan	Jun 78	1.2	15.8	5.6	4.0
West Germany	78 II	1.7	8.8	4.2	7.1
France	77 IV	3.1	14.1	12.0	12.9
United Kingdom	Jun 78	0.1	16.3	20.5	84.0
Italy	Jul 78	0	19.9	14.5	15.0
Canada	Aug 78	0.9	10.7	6.8	6.5

[1] Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.
[2] Average for latest 3 months compared with that for previous 3 months.

MONEY MARKET RATES

	Representative rates	Latest Date	Percent Rate of Interest	1 Year Earlier	3 Months Earlier	1 Month Earlier
United States	Commercial paper	Nov 1	9.33	6.55	7.78	8.64
Japan	Call money	Nov 3	4.13	4.63	4.25	4.25
West Germany	Interbank loans (3 months)	Nov 1	3.90	4.06	3.68	3.86
France	Call money	Nov 3	7.00	8.75	7.62	7.00
United Kingdom	Sterling interbank loans (3 months)	Nov 1	11.08	4.84	9.58	9.70
Canada	Finance paper	Nov 1	9.98	7.38	8.68	9.35
Eurodollars	Three-month deposits	Nov 1	10.98	7.14	8.28	9.58

EXPORT PRICES
US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Aug 78	1.3	9.7	11.0	19.5
Japan	Jul 78	1.0	11.7	26.8	37.9
West Germany	Aug 78	1.7	11.7	14.3	23.3
France	Jun 78	2.2	11.5	13.6	7.8
United Kingdom	Sep 78	1.7	12.3	21.8	41.9
Italy	Jun 78	0.5	10.8	8.1	2.7
Canada	Aug 78	4.1	8.7	1.4	19.2

EXPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Aug 78	1.3	9.7	11.0	19.5
Japan	Jul 78	−5.8	3.8	−4.3	−8.8
West Germany	Aug 78	−1.2	3.7	−1.5	−0.3
France	Jun 78	0.6	8.8	5.3	−2.8
United Kingdom	Sep 78	0.8	15.1	8.3	9.6
Italy	Jun 78	−0.8	15.3	4.9	4.6
Canada	Aug 78	5.6	9.8	7.6	28.7

IMPORT PRICES
National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier
United States	Aug 78	0.6	12.7	7.9	3.3
Japan	Jul 78	−6.6	5.8	−20.9	−22.7
West Germany	Aug 78	0.4	3.4	−3.4	7.6
France	Jun 78	−0.6	9.1	0.2	−9.1
United Kingdom	Sep 78	0.9	17.1	4.3	3.8
Italy	Jun 78	−0.7	18.7	1.8	2.4
Canada	Aug 78	1.7	9.8	10.0	16.1

OFFICIAL RESERVES

	Latest Month: End of	Latest Month: Billion US $	Billion US $: Jun 1970	1 Year Earlier	3 Months Earlier
United States	Sep 78	18.8	14.5	19.0	18.9
Japan	Aug 78	29.2	4.1	17.8	27.7
West Germany	Sep 78	44.7	8.8	34.5	40.7
France	Apr 78	10.6	4.4	10.0	10.2
United Kingdom	Sep 78	17.6	2.8	17.3	17.3
Italy	Sep 78	14.1	4.7	10.5	13.2
Canada	Oct 78	5.1	9.1	4.2	4.6

CURRENT ACCOUNT BALANCE [1]

	Latest Period	Million US $	Cumulative (Million US $): 1978	1977	Change
United States [2]	78 I	−6,954	−6,954	−4,158	−2,796
Japan	Sep 78	1,900	13,982	6,442	7,540
West Germany	Aug 78	10	2,725	788	1,937
France	78 I	−84	−84	−1,628	1,543
United Kingdom	78 I	−803	−803	−896	94
Italy	78 I	288	288	−1,025	1,313
Canada	78 II	−1,201	−2,381	−2,658	277

[1] Converted to US dollars at the current market rates of exchange.
[2] Seasonally adjusted.

BASIC BALANCE [1]
Current and Long-Term Capital Transactions

	Latest Period	Million US $	Cumulative (Million US $): 1978	1977	Change
United States		No longer published [2]			
Japan	Sep 78	600	6,746	4,390	2,356
West Germany	Aug 78	−75	1,730	−3,308	5,038
France	78 I	−863	−863	−1,889	1,025
United Kingdom	78 I	−326	−326	543	−869
Italy	77 III	2,427	N.A.	N.A.	N.A.
Canada	78 II	883	327	−557	884

[1] Converted to US dollars at the current market rates of exchange.
[2] As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

EXCHANGE RATES
Spot Rate
As of 3 Nov 78

	US $ Per Unit	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	27 Oct 78
Japan (yen)	0.0054	40.77	34.60	0.49	−3.45
West Germany (Deutsche mark)	0.5283	48.61	19.49	3.91	−7.03
France (franc)	0.2326	4.80	12.56	−0.02	−5.70
United Kingdom (pound sterling)	1.9820	−19.83	11.54	0.92	−3.93
Italy (lira)	0.0012	−31.95	5.36	−0.17	−4.62
Canada (dollar)	0.8558	−14.70	−5.36	−2.77	0.50

TRADE-WEIGHTED EXCHANGE RATES [1]
As of 3 Nov 78

	Percent Change from 19 Mar 73	1 Year Earlier	3 Months Earlier	27 Oct 78
United States	−4.05	−9.14	0.02	2.86
Japan	43.76	30.37	0.27	−1.94
West Germany	33.93	5.26	1.87	−2.25
France	−10.41	−2.23	−2.65	−0.36
United Kingdom	−29.09	−0.25	−0.85	0.34
Italy	−43.72	−7.95	−2.21	0.57
Canada	−16.38	−8.75	−3.07	1.52

[1] Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

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Developed Countries: Direction of Trade[1]

Billion US $

	Exports to (f.o.b.)					
	World	Big Seven	Other OECD	OPEC	Communist	Other
UNITED STATES						
1975	107.59	46.93	16.25	10.77	3.37	30.27
1976	115.01	51.30	17.67	12.57	3.64	29.82
1977	120.17	53.92	18.54	14.02	2.72	30.97
1978						
1st Qtr	30.96	13.65	4.60	3.76	1.00	7.95
2d Qtr	37.05	16.14	5.25	4.43	1.44	9.79
Jul	10.94	4.51	1.51	1.38	0.40	3.14
Aug	11.61	4.95	1.65	1.32	0.37	3.33
JAPAN						
1975	55.73	16.56	6.07	8.42	5.17	19.52
1976	67.32	22.61	8.59	9.27	4.94	21.91
1977	81.12	28.03	9.72	12.03	5.33	26.01
1978						
1st Qtr	22.11	7.79	2.43	3.35	1.32	7.22
2d Qtr	24.07	8.60	2.44	3.55	1.74	7.74
Jul	8.58	2.99	1.02	1.33	0.51	2.73
Aug	8.18	2.94	0.86	1.19	0.58	2.60
WEST GERMANY						
1975	90.11	28.33	36.44	6.78	7.21	11.33
1976	101.93	33.44	41.86	8.25	7.02	11.36
1977	118.01	39.00	48.01	10.78	7.30	12.92
1978						
1st Qtr	32.45	11.17	13.05	2.76	1.97	3.49
2d Qtr	34.69	11.94	13.71	3.01	2.26	3.77
Jul	10.42	3.64	3.93	1.01	0.65	1.18
Aug	10.99	3.38	4.57	1.01	0.71	1.32
FRANCE						
1975	53.03	20.01	15.50	4.90	3.13	9.50
1976	57.05	22.49	16.15	5.08	3.23	10.10
1977	64.86	25.90	18.18	5.96	2.99	11.82
1978						
1st Qtr	18.49	7.66	5.07	1.57	0.66	3.53
2d Qtr	20.36	8.31	5.60	1.70	0.84	3.91
Jul	6.66	2.78	1.72	0.59	0.27	1.29
Aug	4.86	1.92	1.25	0.46	0.24	1.00
UNITED KINGDOM						
1975	44.46	12.54	16.59	4.55	1.56	9.21
1976	46.56	14.03	17.53	5.13	1.39	8.48
1977	58.04	17.29	22.20	6.77	1.63	10.14
1978						
1st Qtr	16.86	5.09	6.27	2.03	0.55	2.92
2d Qtr	17.60	5.38	6.59	2.20	0.51	2.92
Jul	5.80	1.84	2.10	0.71	0.16	1.00
Aug	5.77	1.73	2.18	0.69	0.15	1.02
ITALY						
1975	34.84	15.61	7.86	3.72	2.46	5.19
1976	37.25	17.58	8.73	4.27	2.18	4.48
1977	45.04	20.91	10.20	5.84	2.46	5.64
1978						
1st Qtr	10.80	5.22	2.40	1.37	0.48	1.33
2d Qtr	13.65	6.51	2.92	1.81	0.66	1.75
Jul	4.46	2.17	0.93	0.57	0.22	0.57
CANADA						
1975	34.07	26.30	1.72	0.71	1.20	4.14
1976	40.52	32.01	2.03	0.81	1.25	4.40
1977	43.08	34.83	2.20	1.17	1.08	3.80
1978						
1st Qtr	10.87	8.88	0.45	0.23	0.22	1.10
2d Qtr	12.66	10.32	0.56	0.23	0.36	1.19
Jul	3.53	2.81	0.13	0.08	0.15	0.36

[1] Source: International Monetary Fund, Direction of Trade.

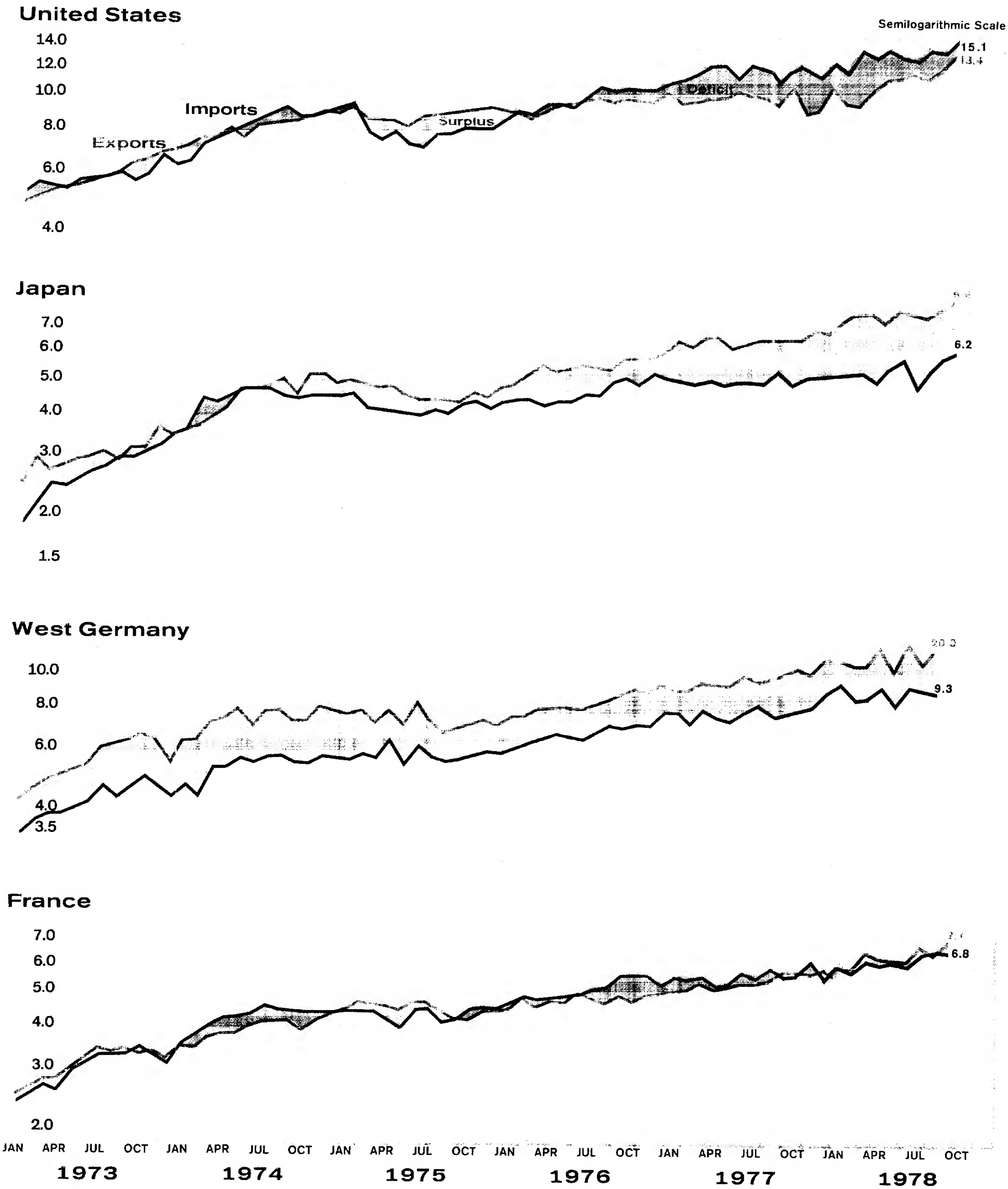
Developed Countries: Direction of Trade [1]

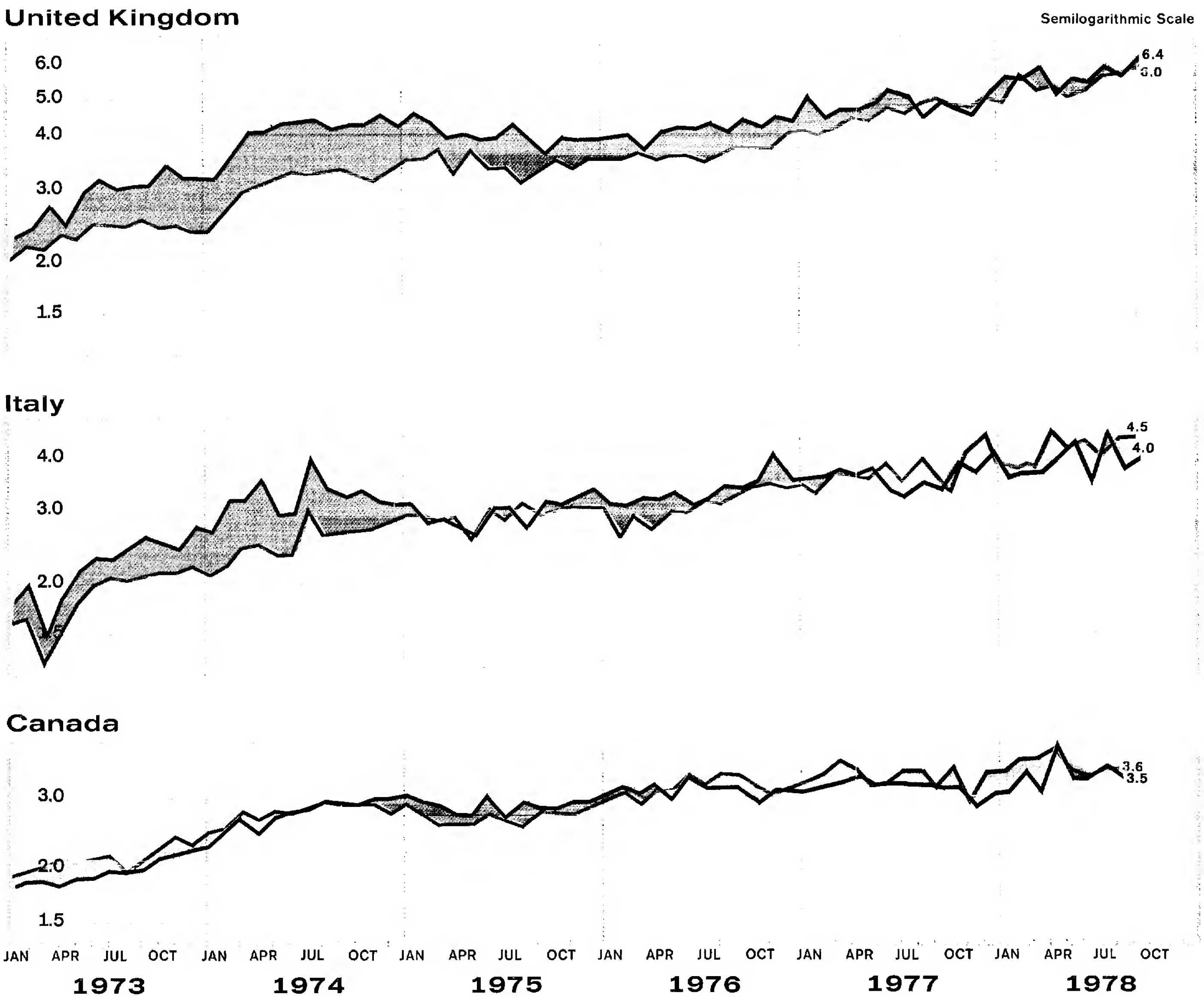
Billion US $

	Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other
UNITED STATES						
1975	103.42	49.81	8.83	18.70	0.98	25.09
1976	129.57	60.39	9.75	27.17	1.16	31.10
1977	156.71	70.48	11.09	35.45	1.23	38.47
1978						
1st Qtr	43.14	20.39	3.51	8.15	0.47	10.62
2d Qtr	45.99	22.53	3.68	7.90	0.48	11.40
Jul	15.67	7.56	1.29	2.62	0.14	4.04
Aug	14.96	6.92	1.11	2.91	0.19	3.83
JAPAN						
1975	57.85	16.93	6.08	19.40	3.36	12.07
1976	64.89	17.58	7.78	21.88	2.91	14.73
1977	71.32	18.88	7.92	24.33	3.41	16.79
1978						
1st Qtr	18.32	5.04	2.06	6.46	0.86	3.89
2d Qtr	19.39	5.51	2.30	5.95	1.01	4.63
Jul	6.47	1.95	0.80	1.82	0.30	1.60
Aug	6.92	2.17	0.81	1.92	0.32	1.70
WEST GERMANY						
1975	74.92	27.09	27.78	8.24	3.51	8.30
1976	88.14	31.28	32.64	9.73	4.38	10.11
1977	101.42	36.39	37.37	10.12	4.92	12.61
1978						
1st Qtr	28.24	10.11	10.88	2.32	1.39	3.55
2d Qtr	29.75	11.10	11.43	2.24	1.40	3.58
Jul	9.57	3.60	3.48	0.77	0.54	1.18
Aug	9.43	3.41	3.51	0.82	0.50	1.19
FRANCE						
1975	53.99	23.04	14.33	9.43	1.94	5.24
1976	64.38	27.81	16.93	11.36	2.24	6.04
1977	70.49	30.28	18.24	11.81	2.46	7.69
1978						
1st Qtr	19.76	8.58	5.40	3.05	0.64	2.09
2d Qtr	20.42	9.16	5.62	2.77	0.68	2.19
Jul	6.31	2.88	1.65	0.94	0.23	0.61
Aug	5.56	2.49	1.29	0.95	0.21	0.63
UNITED KINGDOM						
1975	53.93	18.47	18.52	6.91	1.68	8.36
1976	56.20	19.65	18.81	7.29	2.08	8.36
1977	64.06	24.03	21.38	6.32	2.42	9.91
1978						
1st Qtr	18.87	7.44	6.68	1.80	0.55	2.40
2d Qtr	19.31	7.66	7.27	1.30	0.59	2.48
Jul	6.42	2.58	2.17	0.58	0.21	0.88
Aug	6.30	2.48	2.08	0.60	0.23	0.91
ITALY						
1975	38.39	17.32	6.75	7.85	2.09	4.39
1976	43.43	19.35	8.05	8.12	2.65	5.26
1977	47.57	20.80	8.66	9.03	2.80	6.28
1978						
1st Qtr	11.26	5.03	2.10	2.18	0.51	1.44
2d Qtr	13.38	6.14	2.58	2.15	0.73	1.76
Jul	4.90	2.18	0.93	0.82	0.37	0.61
CANADA						
1975	38.67	29.78	1.70	3.43	0.32	3.43
1976	43.04	33.55	1.82	3.48	0.38	3.81
1977	44.91	35.75	1.79	3.06	0.34	3.98
1978						
1st Qtr	10.80	8.60	0.44	0.77	0.08	0.91
2d Qtr	13.52	11.08	0.50	0.71	0.09	1.13
Jul	3.88	3.05	0.17	0.26	0.04	0.35

[1] Source: International Monetary Fund, Direction of Trade.

FOREIGN TRADE BILLION US $, f.o.b., seasonally adjusted





	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1978	1977	CHANGE
United States	SEP 78	13,429	104,054	91,352	13.9%
		15,120	126,721	109,305	15.9%
	Balance	-1,691	-22,667	-17,953	-4,714
Japan	SEP 78	8,618	71,117	58,515	21.5%
		6,216	50,210	46,130	8.8%
	Balance	2,402	20,907	12,385	8,522
West Germany	AUG 78	11,974	90,233	76,223	18.4%
		9,258	74,131	62,846	18.0%
	Balance	2,715	16,102	13,378	2,725
France	SEP 78	7,075	57,929	47,645	21.6%
		6,776	57,511	49,999	15.0%
	Balance	299	417	-2,354	2,771

	LATEST MONTH	MILLION US $	CUMULATIVE (MILLION US $) 1978	1977	CHANGE
United Kingdom	SEP 78	6,043	50,004	41,298	21.1%
		6,423	51,895	44,234	17.3%
	Balance	-380	-1,891	-2,936	1,044
Italy	SEP 78	4,509	37,843	32,756	15.5%
		4,005	35,250	32,347	9.0%
	Balance	504	2,593	409	2,184
Canada	AUG 78	3,640	29,739	27,962	6.4%
		3,478	28,071	26,672	5.2%
	Balance	162	1,668	1,289	379

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FOREIGN TRADE PRICES IN US $[1]

United States

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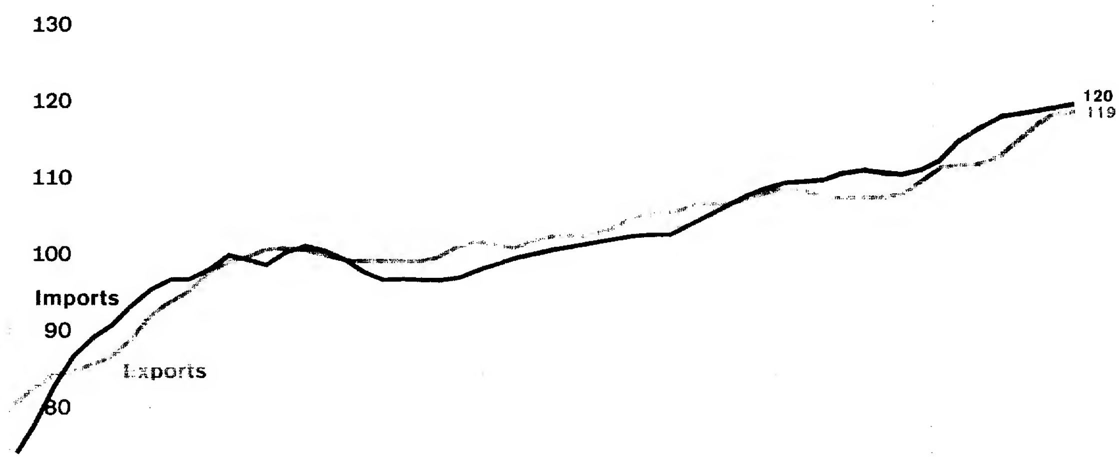
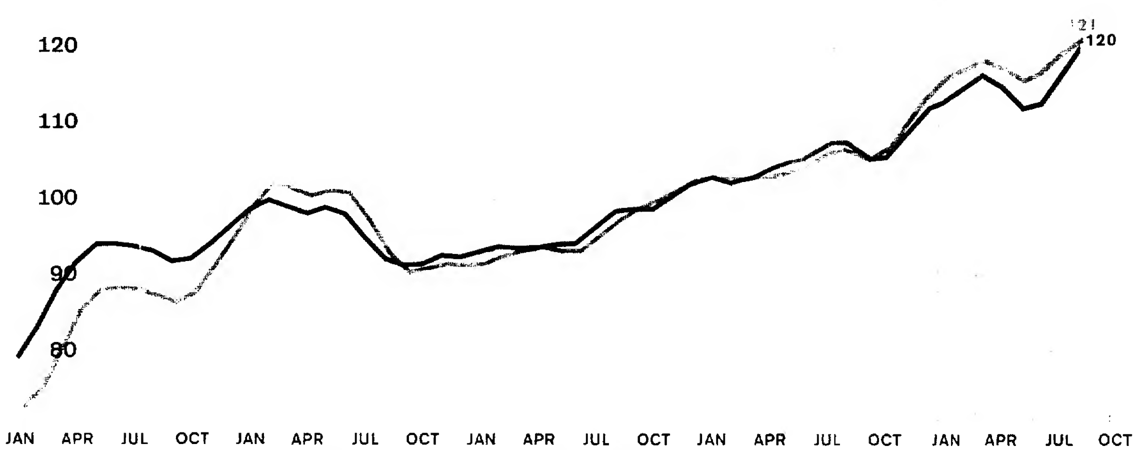
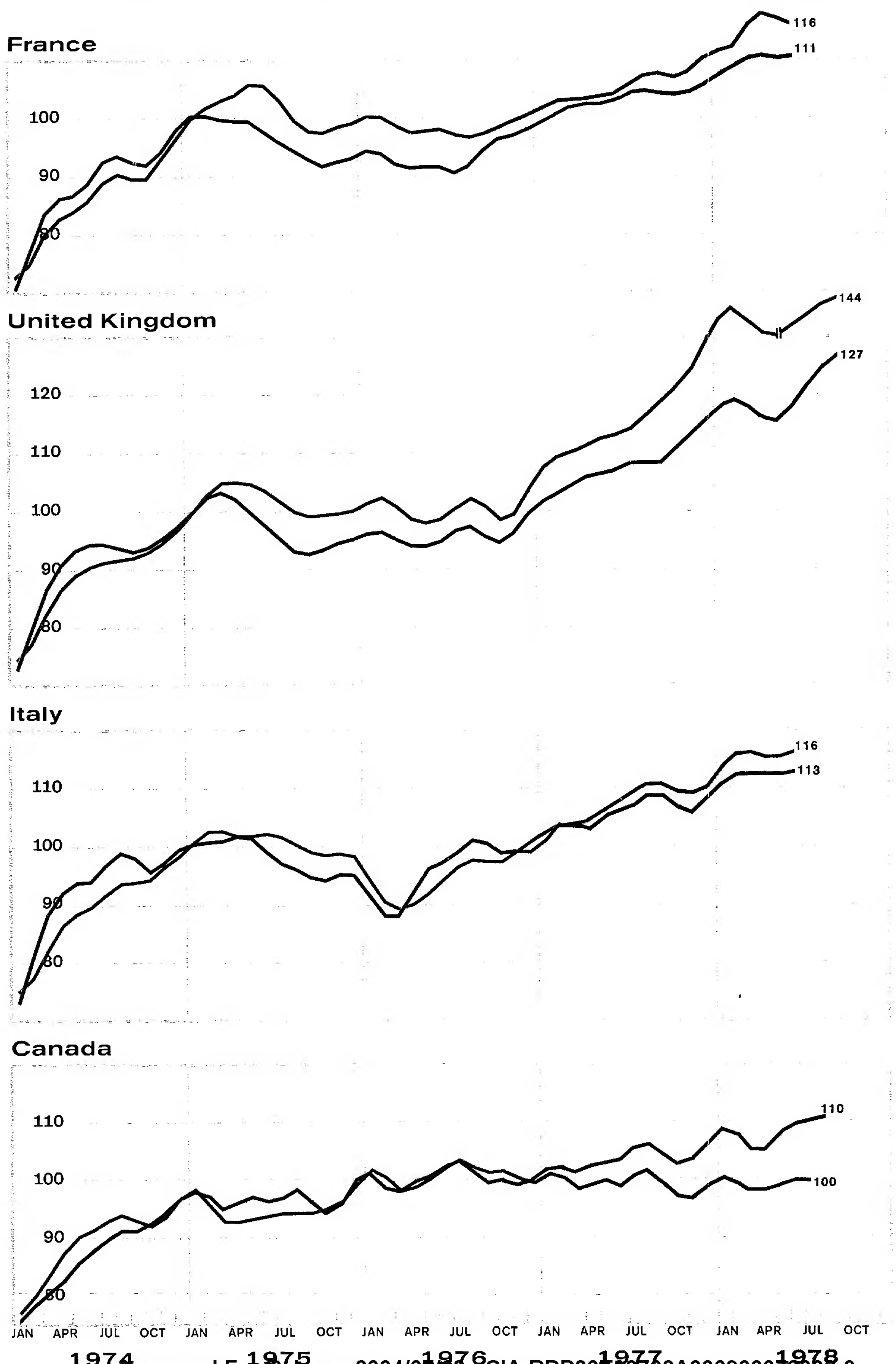


Japan

West Germany



[1]Export and import plots are based on five-month weighted moving averages.


France
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SELECTED DEVELOPING COUNTRIES

INDUSTRIAL PRODUCTION [1]

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
India	Jun 78	−1.8	5.1	5.4	18.2
South Korea	Jul 78	−2.0	22.0	20.2	23.2
Mexico	Jun 78	0	6.2	8.5	27.7
Nigeria	78 I	6.8	11.4	0.5	30.0
Taiwan	Aug 78	3.0	16.3	31.0	42.1

[1] Seasonally adjusted.
[2] Average for latest 3 months compared with average for previous 3 months.

MONEY SUPPLY [1]

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier	3 Months Earlier [2]
Brazil	Mar 78	2.7	36.4	43.3	34.7
India	Apr 78	2.5	14.0	16.2	13.0
Iran	Jul 78	1.8	28.5	28.9	20.7
South Korea	Aug 78	5.8	31.3	30.9	26.2
Mexico	Jul 78	1.9	21.0	37.3	36.4
Nigeria	Mar 78	5.6	35.3	18.9	3.3
Taiwan	May 78	0.6	25.1	32.8	40.8
Thailand	Apr 78	−3.2	13.3	12.5	32.3

[1] Seasonally adjusted.
[2] Average for latest 3 months compared with average for previous 3 months.

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Jun 78	4.1	28.3	38.0
India	Jun 78	1.2	7.5	2.2
Iran	Aug 78	−0.4	11.8	7.8
South Korea	Sep 78	2.2	14.6	15.6
Mexico	Aug 78	1.0	15.1	17.0
Nigeria	Dec 77	3.1	16.6	31.3
Taiwan	Aug 78	1.9	9.8	−0.6
Thailand	Jun 78	0.9	8.7	8.4

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	May 78	3.4	28.4	34.5
India	May 78	0.6	8.0	−2.8
Iran	Aug 78	−1.3	10.0	7.8
South Korea	Sep 78	2.0	15.8	12.3
Mexico	Aug 78	−0.2	16.3	13.8
Taiwan	Aug 78	0.4	8.1	1.6
Thailand	Mar 78	−0.1	9.4	5.8

EXPORT PRICES

US $

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since 1970	1 Year Earlier
Brazil	Feb 78	0.4	14.0	1.5
India	Sep 77	−2.7	10.0	18.4
South Korea	78 II	2.4	8.8	8.9
Taiwan	Jun 78	1.9	11.3	3.3
Thailand	Dec 77	0.1	10.2	−7.8

OFFICIAL RESERVES

	Latest Month: End of	Latest Month: Million US $	Million US $: Jun 1970	1 Year Earlier	3 Months Earlier
Brazil	Feb 78	6,733	1,013	5,878	5,994
India	Jun 78	6,140	1,006	4,559	5,823
Iran	Sep 78	11,659	208	11,463	12,068
South Korea	Aug 78	4,354	602	3,765	4,101
Mexico	Mar 78	1,766	695	1,422	1,723
Nigeria	Aug 78	1,872	148	4,611	2,609
Taiwan	Jun 78	1,462	531	1,411	1,433
Thailand	Sep 78	2,269	978	1,925	2,161

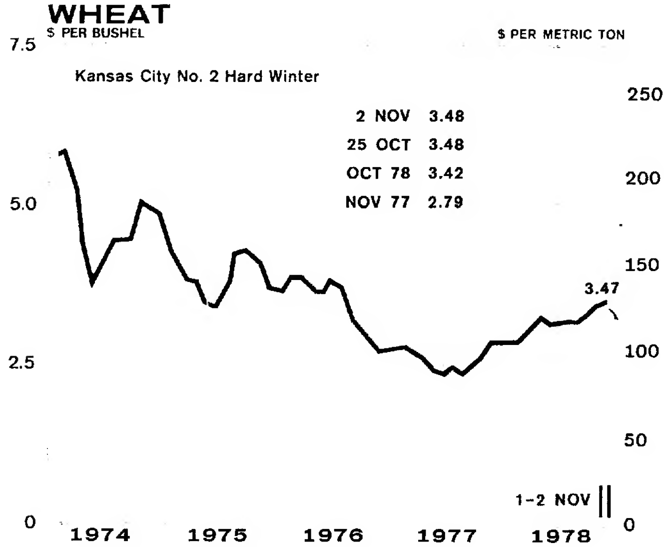
FOREIGN TRADE, f.o.b.

	Latest Period		Latest 3 Months Percent Change from: 3 Months Earlier [1]	1 Year Earlier	Cumulative (Million US $): 1978	1977	Change
Brazil	May 78	Exports	84.8	−3.7	4,743	4,979	−4.7%
	May 78	Imports	26.6	1.4	5,110	4,939	3.5%
	May 78	Balance			−367	40	−407
India	Mar 78	Exports	−19.6	−13.5	1,476	1,707	−13.5%
	Mar 78	Imports	−24.1	9.7	1,444	1,316	9.7%
	Mar 78	Balance			32	391	−358
Iran	Aug 78	Exports	2.9	10.4	15,868	15,635	1.5%
	May 78	Imports	−1.6	1.6	5,705	5,259	8.5%
	May 78	Balance			4,087	4,871	−783
South Korea	Jul 78	Exports	39.3	23.5	6,749	5,351	26.1%
	Jul 78	Imports	83.0	29.2	7,284	5,695	27.9%
	Jul 78	Balance			−535	−344	−191
Mexico	Jul 78	Exports	78.8	29.8	2,867	2,453	16.9%
	Jul 78	Imports	225.3	41.9	3,596	2,751	30.7%
	Jun 78	Balance			−728	−298	−430
Nigeria	78 II	Exports	86.7	−26.0	1,808	2,526	−28.4%
	78 I	Imports	579.5	115.0	1,808	841	115.0%
	78 I	Balance			−974	368	−1,342
Taiwan	Aug 78	Exports	84.2	38.7	8,044	5,884	36.7%
	Aug 78	Imports	68.9	32.5	6,439	5,119	25.8%
	Aug 78	Balance			1,605	765	840
Thailand	Jul 78	Exports	7.1	10.4	2,246	2,099	7.0%
	Jul 78	Imports	51.5	13.8	2,697	2,330	15.7%
	Jul 78	Balance			−450	−231	−219

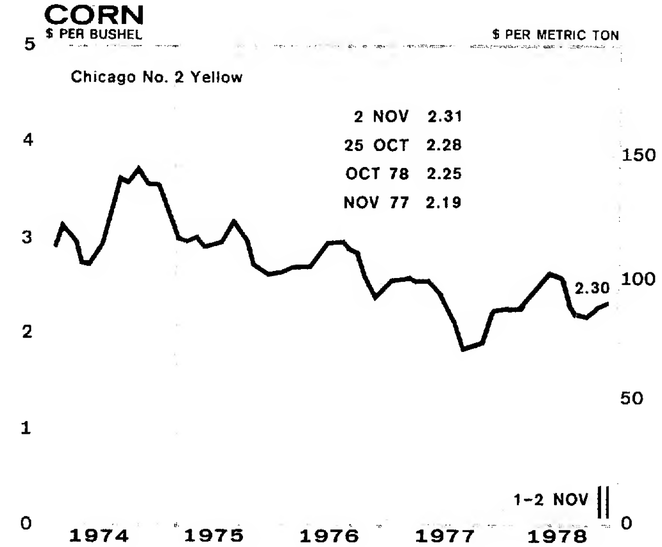
[1] At annual rates.

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

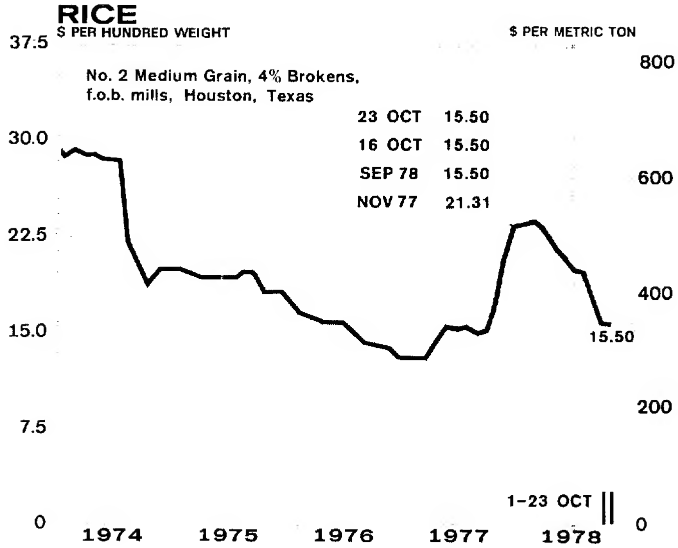
WHEAT



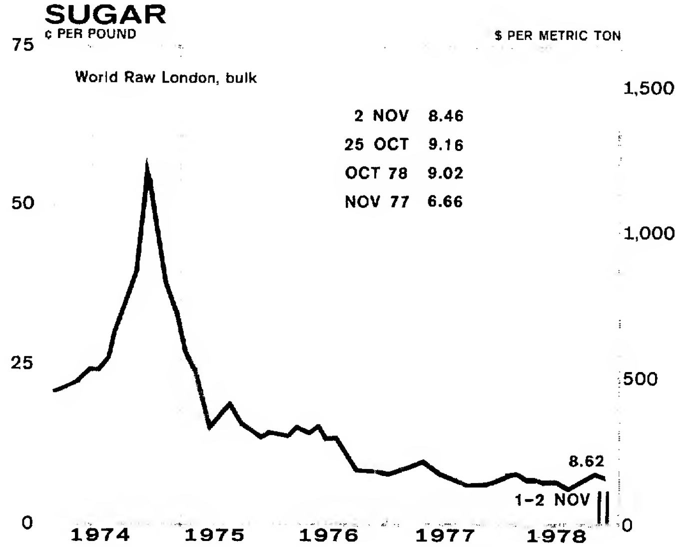
CORN



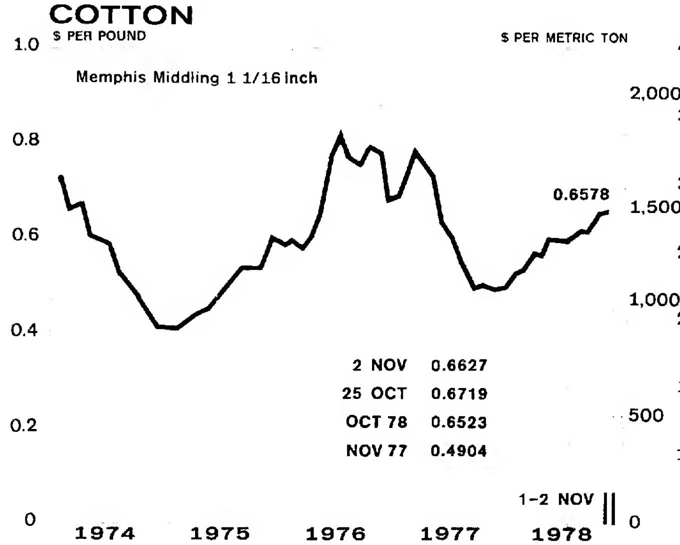
RICE



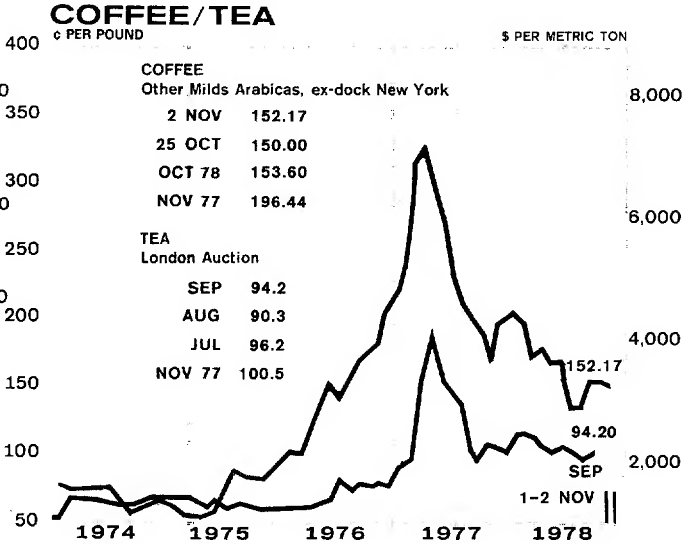
SUGAR



COTTON



COFFEE/TEA



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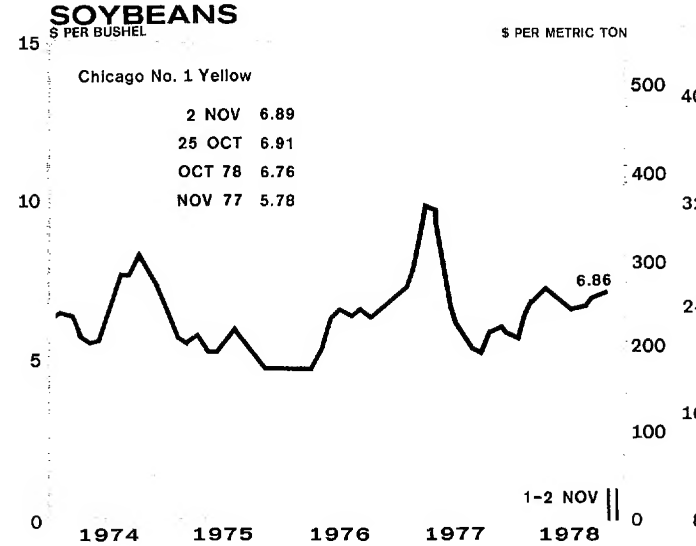
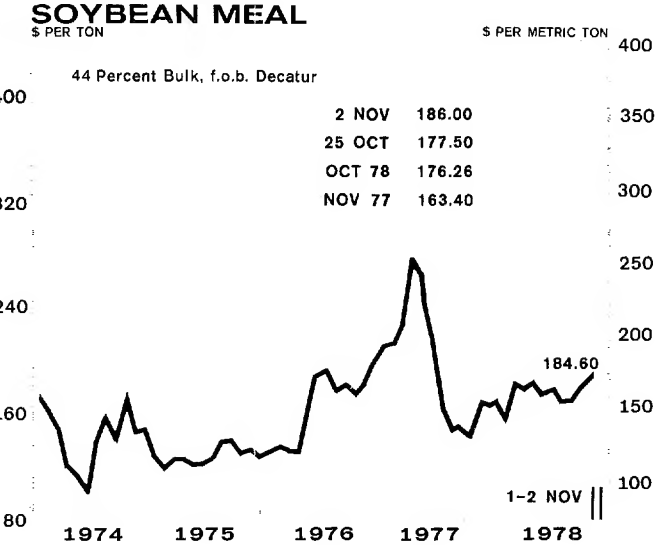
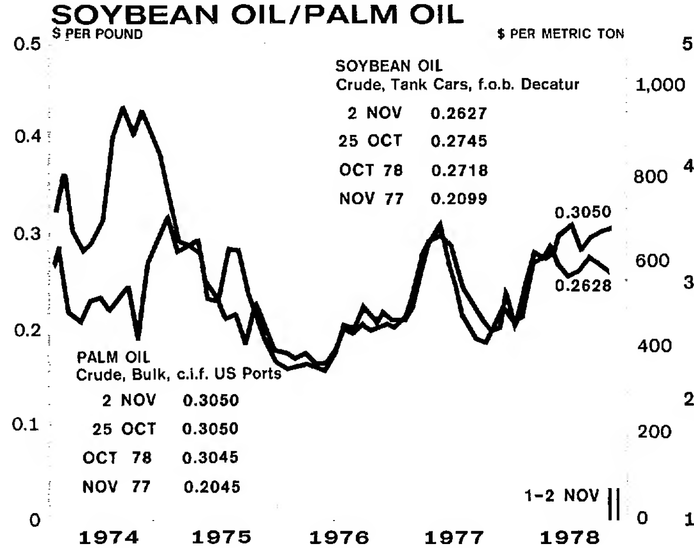
SOYBEANS



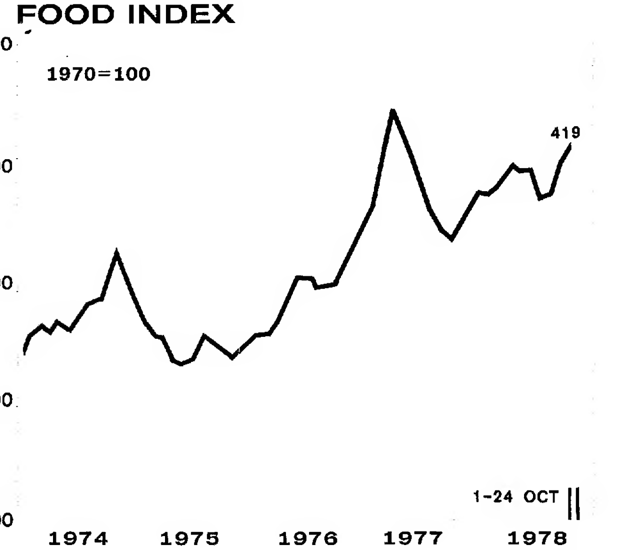
SOYBEAN MEAL



SOYBEAN OIL/PALM OIL



FOOD INDEX



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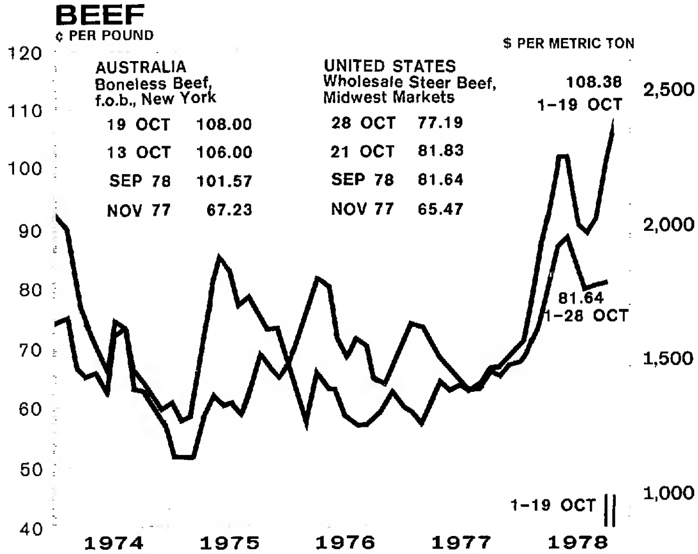
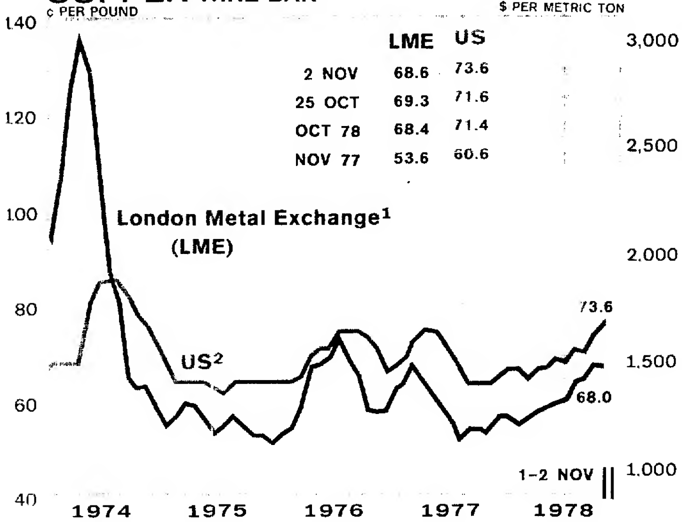
BEEF



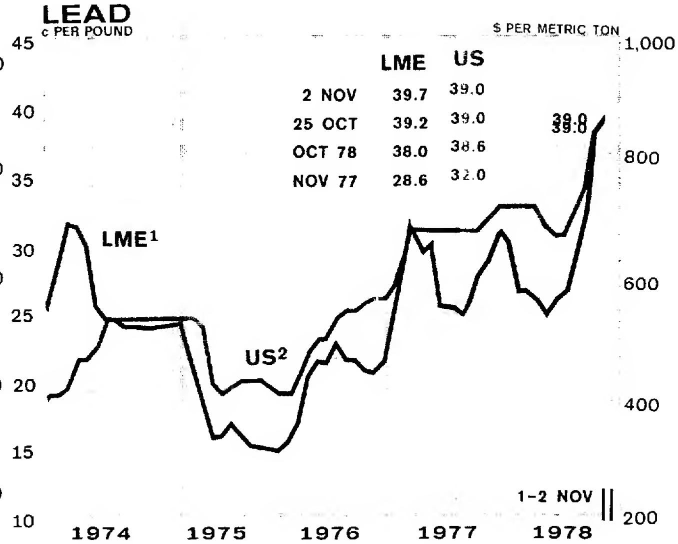
NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

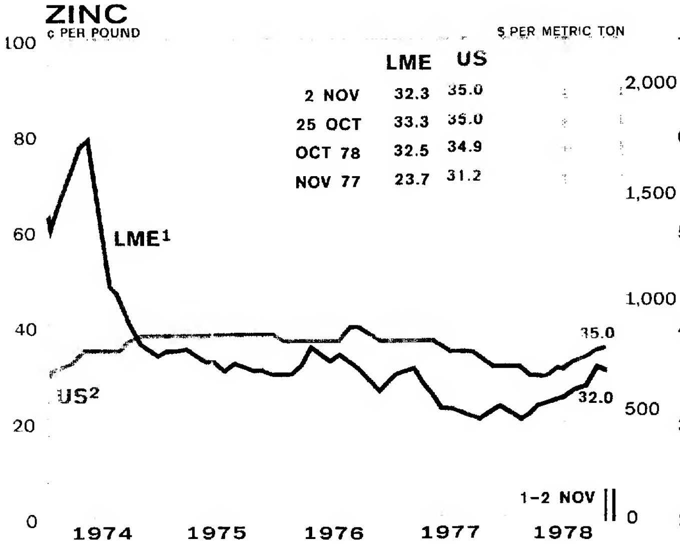
COPPER WIRE BAR



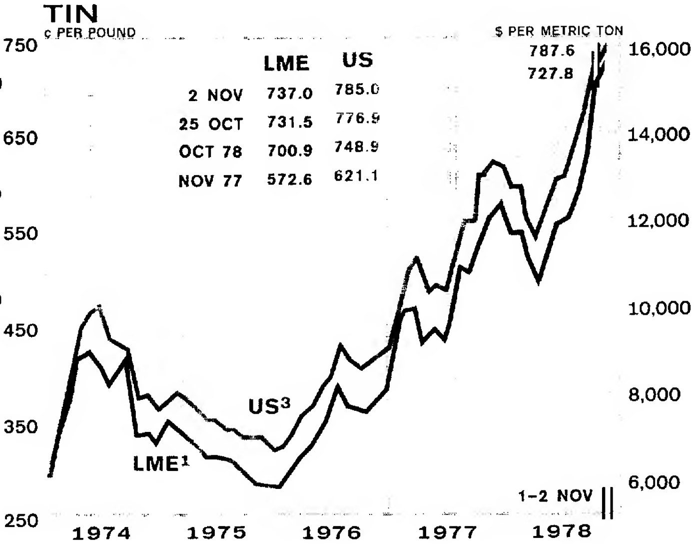
LEAD



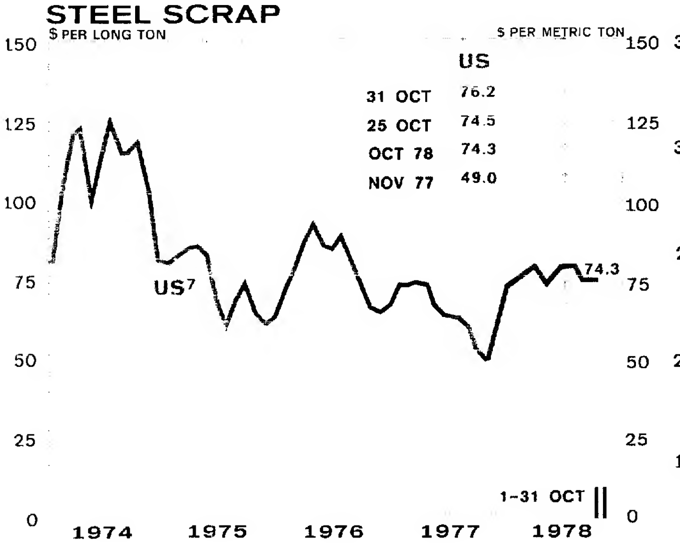
ZINC



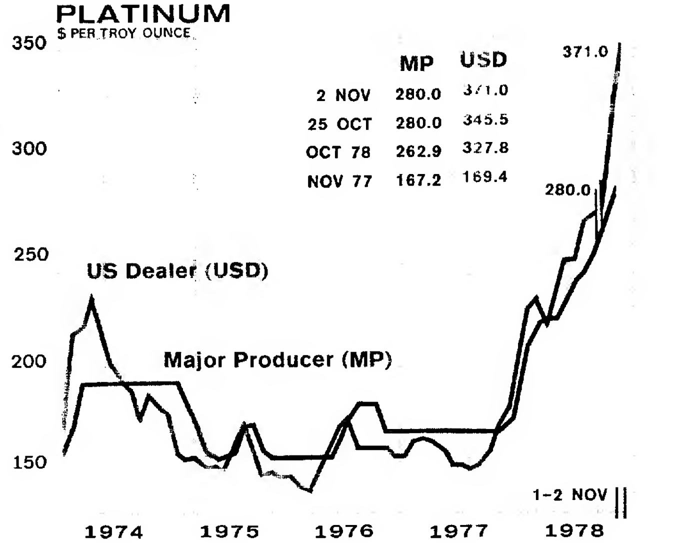
TIN



STEEL SCRAP



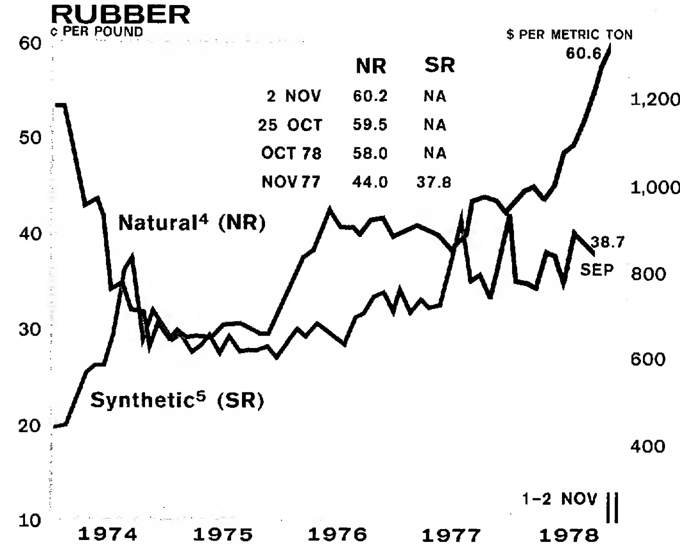
PLATINUM



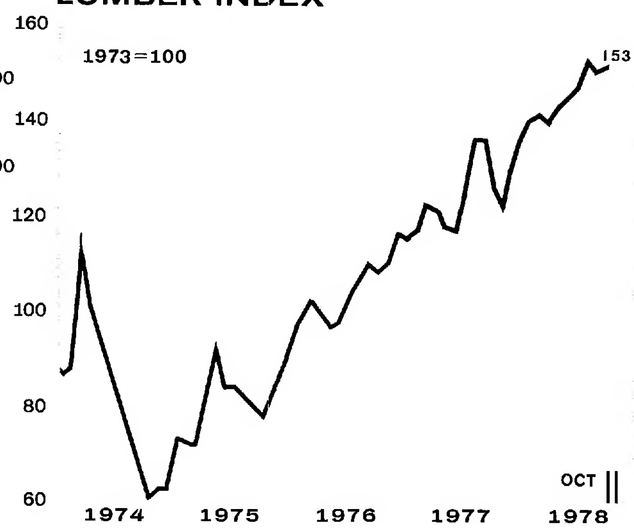
SELECTED MATERIALS

			CURRENT	MAY 78	NOV 77	NOV 76
ALUMINUM	Major US Producer	¢ per pound	55.25	53.00	53.00	48.00
US STEEL	Composite	$ per long ton	419.31	395.81	359.36	327.00
IRON ORE	Non-Bessemer Old Range	$ per long ton	22.55	21.43	21.43	20.51
CHROME ORE	Russian, Metallurgical Grade	$ per metric ton	NA	NA	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	$ per long ton	56.00	56.00	58.50	42.00
FERROCHROME	US Producer, 66-70 Percent	¢ per pound	42.00	42.00	41.00	43.00
NICKEL	Composite US Producer	$ per pound	2.02	2.06	2.07	2.41
MANGANESE ORE	48 Percent Mn	$ per long ton	67.20	67.20	72.24	72.00
TUNGSTEN ORE	Contained Metal	$ per metric ton	18,411.00	17,169.00	22,113.00	18,082.00
MERCURY	New York	$ per 76 pound flask	151.00	150.55	138.43	134.50
SILVER	LME Cash	¢ per troy ounce	598.31	514.64	482.70	436.90
GOLD	London Afternoon Fixing Price	$ per troy ounce	230.33	176.31	162.10	130.44

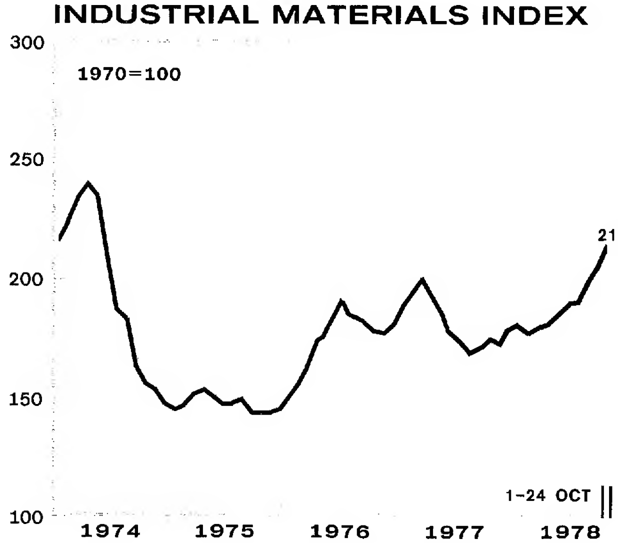
RUBBER



LUMBER INDEX[6]



INDUSTRIAL MATERIALS INDEX



[1]Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

[2]Producers' price, covers most primary metals sold in the US.

[3]As of 1 Dec 75, US tin price quoted is "Tin NY lb composite."

[4]Quoted on New York market.

[5]S-type styrene, US export price.

[6]This index is compiled by using the average of 13 types of lumber whose prices are regarded as bellwethers of US lumber construction costs.

[7]Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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